



Carlos Jackson
Executive Director

**HOUSING AUTHORITY
of the County of Los Angeles**

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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

**AGENDA
FOR THE REGULAR MEETING OF THE
LOS ANGELES COUNTY HOUSING COMMISSION
WEDNESDAY, OCTOBER 24, 2007
12:00 NOON
HOUSING AUTHORITY
PALMDALE OFFICE
2323 EAST PALMDALE BLVD.
PALMDALE, CA 93550
(661) 575-1510**

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1. Call to Order

2. Roll Call

Lynn Caffrey Gabriel, Chair
Henry Porter, Jr., Vice Chair
Severyn Aszkenazy
Philip Dauk
Adriana Martinez
Bertha Scott
Alberta Parrish

3. Reading and Approval of the Minutes of the Previous Meeting

Regular Meeting of September 26, 2007

4. Report of the Executive Director

5. Public Comments

The public may speak on matters that are within the jurisdiction of the Housing Commission. Each person is limited to three minutes.

6. Staff Presentations

Section 8 Hearing Process – Adriana Ruiz



Regular Agenda

7. Concurrence of Board of Supervisors/Commissioners Action for the Health Plan Changes (All Districts)

Concur with the Board of Commissioners approval authorizing the Executive Director to approve the proposed premium rates for group medical plans provided by Blue Cross of California Health Maintenance Organization (HMO) and Preferred Provider Option (PPO) and Kaiser Health Plan (Kaiser), to be effective January 1, 2008; approve the Housing Authority's share of the combined payment for the employer-paid subsidy for the 2008 calendar year, with Blue Cross HMO and PPO, and Kaiser, at a total estimated cost of \$460,000; authorize the Housing Authority to fund all health plan costs using funds included in the approved Fiscal Year 2007-2008 budget, and funds to be approved through the annual budget process for Fiscal Year 2008-2009, as needed. (CONCUR)

8. Adopt Resolutions Approving Issuance of Multifamily Housing Mortgage Revenue Bonds for Multifamily Housing in Unincorporated Covina (4)

Recommend that the Board of Commissioners find that acting as the Responsible Agency pursuant to the California Environmental Quality Act (CEQA), certify that the Housing Authority has considered the determination made by the County of Los Angeles as Lead Agency, and find that the project will not cause a significant effect on the environment; adopt and instruct the Chairman to sign a Resolution, provided as Attachment B, as required under Treasury Regulations, declaring an intent by Arrow Plaza KBS, L.P. (the Developer), a California Limited Partnership, to undertake bond financing in an amount not exceeding \$8,000,000, for the acquisition and rehabilitation of Arrow Plaza, a 64-unit multifamily rental housing development located at 20644 East Arrow Highway in unincorporated Covina, and ratifying the inducement resolution previously adopted by California Municipal Finance Authority (CMFA), attached as Exhibit 1 to Attachment B; authorize the Executive Director of the Housing Authority to submit an application to the California Debt Limit Allocation Committee (CDLAC) for a private activity bond allocation in an aggregate amount not exceeding \$8,000,000 for the purposes described herein. (APPROVE)

9. Housing Commissioners Comments and Recommendations for Future Agenda Items

Housing Commissioners may provide comments or suggestions for future Agenda items.

Copies of the preceding agenda items are on file and are available for public inspection between 8:00 a.m. and 5:00 p.m., Monday through Friday, at the Housing Authority's main office located at 2 Coral Circle in the City of Monterey Park. Access to the agenda and supporting documents is also available on the Housing Authority's website.

Agendas in Braille are available upon request. American Sign Language (ASL) interpreters, or reasonable modifications to Housing Commission meeting policies and/or procedures, to assist members of the disabled community who would like to request a disability-related accommodation in addressing the Commission, are available if requested at least three business days prior to the Board meeting. Later requests will be accommodated to the extent possible. Please contact the Executive Office of the Housing Authority by phone at (323) 838-5051, or by e-mail at marisol.ramirez@lacdc.org, from 8:00 a.m. to 5:00 p.m., Monday through Friday.

THE HOUSING AUTHORITY OF THE COUNTY OF LOS ANGELES

MINUTES FOR THE REGULAR MEETING OF THE

LOS ANGELES COUNTY HOUSING COMMISSION

Wednesday, September 26, 2007

The meeting was convened at the headquarters office located at 2 Coral Circle, Monterey Park, California.

Digest of the meeting. The Minutes are being reported seriatim. A taped record is on file at the main office of the Housing Authority.

The meeting was called to order by Chair Lynn Caffrey Gabriel at **12:21** p.m.

ROLL CALL	<u>Present</u>	<u>Absent</u>
Lynn Caffrey Gabriel	X	
Henry Porter, Jr.	X	
Severyn Aszkenazy	X	
Philip Dauk	X	
Adriana Martinez	X	
Bertha Scott	X	
Alberta Parrish	X	

Chair Gabriel asked that the record reflect that Alberta Parrish was appointed Housing Commissioner after the September 26, 2007 agenda was printed.

PARTIAL LIST OF STAFF PRESENT:

Carlos Jackson, Executive Director
Bobbette Glover, Assistant Executive Director
Maria Badrakhan, Director, Housing Management
Emilio Salas, Director, Administrative Services

GUESTS PRESENT:

Mr. Jorge Chuc from Community Rehabilitation Services, Inc. was in attendance.

Reading and Approval of the Minutes of the Previous Meeting

On Motion by Commissioner Porter, seconded by Commissioner Aszkenazy the Minutes of the Regular Meeting of August 22, 2007, were approved with three abstentions.

Agenda Item No. 4 - Report of the Executive Director

Carlos Jackson reported on the following items:

A report has been sent to the Board of Commissioners and Housing Commissioners regarding the status of the Section 8 Program. The HUD Advisor is on site and has provided suggestions for improvements. The Housing Authority anticipates resolving the remaining issues by the end of the year.

As required in the Corrective Action Plan (CAP), training on the Section 8 Program will be provided for the Housing Commissioners and the Board of Commissioners and their staffs.

Reports on completed items identified in the CAP have been submitted to HUD, and additional reports will be provided on October 15, 2007 and November 25, 2007. Mr. Jackson commended staff for their hard work and assistance in correcting the deficiencies in the Section 8 Program. Mr. Jackson also thanked the Board of Commissioners and the Housing Commissioners for their cooperation through the process.

Agenda Item No. 5 – Notice of Closed Session

Agenda Item No. 6 – Public Comments

Mr. Jorge Chuc from Community Rehabilitation Services, Inc. declined to comment and asked to speak with a staff after the meeting.

Agenda Item No. 7 - Staff Presentations

Larry Newnam provided a presentation on SocialServe.com and responded to questions from the Commissioners.

Betsy Lindsay provided a presentation on Closed Circuit Television Security System and responded to questions from the Commissioners.

Margarita Lares-Herrera provided a presentation on the Section 8 Call Center and the Housing Locator Services and responded to questions from the Commissioners.

Regular Agenda

On Motion by Commissioner Porter, seconded by Commissioner Martinez, and unanimously carried, the following was approved by the Housing Commission:

**APPROVE VACANT UNIT PREPARATION SERVICES CONTRACTS FOR THE
CLEANING AND PAINTING OF VACANT HOUSING AUTHORITY UNITS
(ALL DISTRICTS)
AGENDA ITEM NO. 8**

1. Recommend that the Board of Commissioners find that approval of the vacant unit preparation services contracts is exempt from the California Environmental Quality Act (CEQA), as described herein, because the services will not have the potential for causing a significant effect on the environment.
2. Recommend that the Board of Commissioners approve and authorize the Executive Director to execute one-year contracts, in substantially the form of the attached, and all related documents, with the contractors identified in Attachment A, to perform County-wide cleaning and painting of vacant units on an as-needed basis prior to occupancy by new and transferring Housing Authority residents, to be effective following approval as to form by County Counsel and execution by all parties; and to use for this purpose a maximum aggregate amount of \$395,100, included in the Housing Authority's approved Fiscal Year 2007-2008 budget.
3. Recommend that the Board of Commissioners authorize the Executive Director to execute amendments to the contracts, following approval as to form by County Counsel, for a maximum of two years, in one-year increments, at the same yearly amount of \$395,100, using funds to be requested through the annual budget approval process.
4. Recommend that the Board of Commissioners authorize the Executive Director to execute additional contracts, in substantially the form of the attached, and all related documents, with additional qualified contractors who submit bids in conformance with the bid requirements during the next bid process to be held within this fiscal year, in order to ensure sufficient numbers of contractors to meet the vacant unit preparation needs.
5. Recommend that the Board of Commissioners authorize the Executive Director to increase the aggregate amounts of the contracts by \$98,775 for each year of services for any unforeseen, needed unit preparation services, using the same source of funds.

Agenda Item No. 9 – Housing Commissioner Comments and Recommendations for Future Agenda Items


Commissioner Porter thanked staff for providing various news articles, which are very informative.

Ms. Glover announced that the October meeting of the Housing Commission will be held at the new Palmdale office, and the November meeting will be held at the Herbert Avenue Senior Center. The December meeting will include a holiday luncheon, and former Commissioner Nowden will attend to receive a plaque for her service as Housing Commissioner.

Ms. Glover announced that Commissioner Porter was included in a recent Los Angeles Times article that recognized his service as a volunteer with the Sheriff's Department.

On Motion by Commissioner Gabriel, the Regular Meeting of September 26, 2007 adjourned to Closed Session at 2:20 p.m.

Respectfully submitted,


for CARLOS JACKSON
Secretary -Treasurer

mortgages for borrowers whose existing ARMs have a scheduled rate reset between June 2005 and December 2009.

"This common-sense measure will deliver a shot in the arm that could make refinancings possible for tens of thousands of Americans trapped in the subprime mess," Schumer said. "Together with nonprofits, lenders, and servicers, Fannie and Freddie are the missing ingredient to stem the rising tide of foreclosures that is about to hit the economy."

The bill would also lift the conforming loan limit, now \$417,000 for one-family loans, by up to 50 percent in high-cost areas. Both provisions would sunset one year after the date of enactment.

FHA Refinancing Program

HUD's new refinancing program, called FHASecure, "is designed for families who are good borrowers, but were steered into high-cost loans with teaser rates," explained Brian Montgomery, HUD assistant secretary for housing-FHA commissioner.

HUD senior officials said the program doesn't require legislation. Details are spelled out in Mortgagee Letter 2007-11, which was issued September 5, and loan applications under the program must be signed no later than December 31, 2008.

Under previous rules, borrowers had to be current under their existing mortgage in order to refinance with an FHA loan. The new program extends eligibility to borrowers with non-FHA ARMs who became delinquent after the reset of the interest rate.

Borrowers cannot have been delinquent on any mortgage payments during the six months prior to the rate reset. In addition, they must have 3 percent cash or equity in their homes, a sustained employment history, and sufficient income and resources to make future mortgage payments.

For delinquent borrowers, underwriters also must determine that a borrower's inability to make payments was directly related to the rate reset and not a disregard for the borrower's obligations.

"The FHASecure initiative for refinancing borrowers harmed by non-FHA ARMs that have recently reset is not to be used to solicit homeowners to cease making timely mortgage payments," the mortgagee letter states. "FHA reserves the right to reject for insurance those mortgage applications where it appears that a loan officer or other mortgagee employee suggested that the homeowners could stop making their payments, refinance into a FHA insured mortgage, and keep, as cash, the amount of payments not made on time."

Mortgage Limits

Subject to the overall limits on FHA mortgage amounts and loan-to-value ratios, the FHASecure loan can include the existing first lien, any purchase money second mortgage, closing costs, prepaid expenses, prepayment penalties, late charges, and any arrearages that arose after the rate reset.

If the new FHA loan won't cover the existing first lien, closing costs, and arrearages, the lender may provide a

second mortgage for the difference. The combined amount of the FHASecure mortgage and any non-FHA second mortgage may exceed the applicable FHA limits.

If payments are required on the second mortgage, they must be taken into account in qualifying the borrower. Deferred payments can be excluded from the qualifying calculations if the deferral period is at least 36 months.

In all cases, appraisers must still verify the value of a home, and the mortgagee letter states that HUD will hold lenders and appraisers equally responsible for inflated appraisals.

Risk-based Premiums

HUD said it will implement risk-based premiums that match a borrower's credit profile beginning on January 1, after going through the rulemaking process.

With risk-based premiums, HUD will charge up to the current statutory limit of 2.25 percent of the loan amount for up-front premiums, and 0.55 percent for annual premiums. Currently, HUD charges a flat up-front mortgage insurance premium of 1.5 percent of the loan amount and an annual premium of 0.5 percent.

On a \$130,000 loan, HUD estimates that the increased premiums will raise monthly mortgage payments by only \$19. Overall, 20,000 additional borrowers a year are expected to use FHA as a result of risk-based pricing, according to HUD.

PUBLIC HOUSING

HUD's Reform Initiative Is Intended To Help Housing Authorities Adopt Asset Management, Cabrera Says

HUD's administrative reform initiative is intended to help PHAs adopt asset management as a new business model that reflects how business is conducted in privately owned housing, said Orlando J. Cabrera, HUD assistant secretary for public and Indian housing, in a September 10 speech at the Public Housing Authorities Directors Association (PHADA) legislative forum.

In other comments, Cabrera said the Administration continues to oppose reauthorization of HOPE VI. He added that if Congress does extend the program, HUD does not want a one-for-one replacement requirement for public housing units, which he said would make mixed-finance deals unworkable.

"The administrative reform initiative hopefully signals needed change at HUD that will make it easier for you to do business," Cabrera said. "Everybody recognizes you have to go through this exercise. There are times when we need to rethink and reassess our business processes and change the processes that are obsolete or have become outdated."

In the initiative, HUD has convened several working groups of PHAs, tenant advocates, and HUD field staff to identify administrative requirements and other processes that can be streamlined while allowing HUD to retain its oversight responsibilities. A final session has been scheduled for September 27 to discuss recommendations.

Asset Management

Cabrera said the reform initiative "is not happening in a vacuum," but is being pursued in the context of HUD asset management requirements and is an attempt on HUD's part to lighten the regulatory burden for PHAs.

Cabrera also said that he has received a favorable response on asset management from individual PHAs. "There's been some heartburn on it, but much of the feedback I've gotten is that it's a pretty good thing," he said. "PHAs are telling me it is good from us organizationally and it also serves as a useful business model."

While PHADA supports the concept of asset management, it does have differences with HUD on the details. A PHADA member from Massachusetts told Cabrera that the requirements are too detailed and amount to micromanagement on HUD's part.

Cabrera disagreed and said that many of the PHA objections are to the specific accounting requirements of the asset management regime, not the basic project-based management and accounting model.

An active PHADA member told HDR afterwards that overuse of the term "micromanagement" may have become an obstacle to genuine discussions with HUD about accounting requirements. PHADA's point has been that in some instances, the accounting rules can have the unintended consequence of forcing PHAs to make spending decisions that are inefficient and costly, he said.

HOPE VI Program

In development issues, Cabrera said that the Administration remains opposed to reauthorization of the HOPE VI program, but he acknowledged that Congress will most likely continue the program. HUD would like the program to be streamlined so that it is more compatible with the low-income housing tax credit program and other sources of mixed financing, he said.

Cabrera also said that HUD does not want the one-for-one replacement requirement for public housing reinstated. Mixed-finance deals usually provide affordability for residents with incomes ranging from zero up to 60 percent of area median, he noted.

"If you try to provide that type of affordability with one-for-one replacement, it is going to be hard to underwrite these deals," Cabrera warned. "There won't be sufficient revenues to support the same number of public housing units."

Cabrera also implored PHAs to take the time to learn mixed-finance development and to hire qualified development staff before entering the development field. "There's a learning curve involved in this field, and I don't want you to jump off that curve," he said. Cabrera said that while PHAs in general are extremely good housing managers, development is a totally different field and PHAs still need to develop expertise there.

Qualified Action Plans

Cabrera also advised PHAs not to seek specific set-asides in state tax credit qualified allocation plans (QAPs). He said set-asides have worked in some states in the Upper Midwest and the Northeast, and in New York, but in areas where there is intense competition for 9 percent cred-

its, the development community would resent any set-aside for public housing. "That's where developers get all their income, where they make all their profit in affordable housing," he said.

He suggested there may be other ways to level the playing field for PHAs in the tax credit competition. Cabrera pointed out that PHAs are at a disadvantage because they are limited in the locations where they build affordable housing. For QAPs that add extra points for projects located near shopping or other amenities, there could be a provision stating that PHAs could not be disadvantaged because their developments aren't close enough to amenities, he said.

Cabrera also said that in discussions of affordable housing production, the state and local role is often overlooked. "This is not just a federal issue," he said, suggesting that states could do more with affordable housing trust funds.

"New York and Florida are the only states with sizable housing trust funds," Cabrera said. Most of the others are basically providing \$5 million or \$10 million, which doesn't go that far, he added.

CONSTRUCTION

Michael Sumichrast, Former NAHB Chief Economist, Dies at 86

Michael Sumichrast, a native of Czechoslovakia who escaped the Nazis and the Russians and later became one of this country's premier housing economists, died September 4 of respiratory failure in Montgomery County, Md. He was 86.

Sumichrast was probably best known for his work at the National Association of Home Builders (NAHB), where he was chief economist from 1965 to 1986 and perhaps the most widely quoted housing economist in the country. He was also the author of several books on housing.

During part of his tenure at NAHB, Sumichrast was also a member of the HDR Advisory Board.

Escapes from Nazis, Communists

Sumichrast was born in Trencin, Czechoslovakia, on March 31, 1921. He joined the underground to fight the Nazis during World War II and was captured by the Gestapo, but escaped.

After the Communists took over the country in a 1948 coup, Sumichrast was threatened with arrest, but escaped to Austria.

He later emigrated to Australia and then came to the United States, earning a doctorate in economics at Ohio State University in 1962. Sumichrast moved to Washington later that year and joined NAHB as an economist. He was promoted to chief economist in 1965.

After retiring from NAHB, Sumichrast started a company to invest in real estate in the Czech Republic and Slovakia, later acquiring an Austrian firm and expanding its operations in Central and Eastern Europe.

Sumichrast's first wife, Marika, died in 1986. He is survived by his second wife, Eva; three sons from his first

IDEAS AND TRENDS

MORTGAGE FINANCE

Home Loans Go into Foreclosure At Record Rate, MBA Reports

One-to-four-family mortgages went into foreclosure in the second quarter of 2007 at the highest rate in the history of the Mortgage Bankers Association (MBA) national delinquency survey, and the overall delinquency rate also jumped.

Separately, the Federal Reserve Board reported a general weakening in residential real estate and construction and reduced demand for residential mortgages.

According to the MBA, the national foreclosure and delinquency rates are being driven by problems in a few large states, along with the performance of prime and subprime adjustable-rate mortgages (ARMs).

In addition, troubles with investor loans were a major factor in defaults in four of the states with the fastest-rising rates of seriously delinquent loans, which are loans at least 90 days past due or in foreclosure.

Loans in Foreclosure

The MBA survey found that the rate of loans entering the foreclosure process in the second quarter was 0.65 percent, on a seasonally adjusted basis, up seven basis points from the first quarter and 22 basis points from the second quarter of 2006.

The overall increase in the national foreclosure rate was due to deteriorating conditions in Arizona, California, Florida, and Nevada, according to the MBA.

"Were it not for the increases in foreclosure starts in those four states, we would have seen a nationwide drop in the rate of foreclosure filings," said Doug Duncan, MBA chief economist and senior vice president of research and business development. "Thirty-four states had decreases in their rates of new foreclosures, and the increases were very modest in states with increases, other than those four."

The seasonally adjusted percentage of loans in foreclosure was 1.40 percent in the second quarter, up 12 basis points from the first quarter and 41 basis points from the second quarter of 2006.

Other Survey Results

The second-quarter delinquency rate, seasonally adjusted, was 5.12 percent, up 28 basis points from the first quarter and 73 basis points from a year ago. The delinquency rate doesn't include loans in foreclosure.

According to the survey, 2.47 percent of all one-to-four-family loans were seriously delinquent, on a seasonally adjusted basis. The first-quarter rate was 2.23 percent, and the second-quarter 2006 rate was 1.89 percent.

Arizona, California, Florida, and Nevada were also among the states with the fastest rising rates of serious

delinquencies, the MBA reported, and problems with loans on non-owner-occupied properties were a major factor in mortgage defaults in those states.

In Nevada, 32 percent of the defaults on prime mortgages and 24 percent of the subprime defaults were on investor loans. The comparable figures for the other three states were: Arizona, 26 percent of the defaults on prime mortgages, 18 percent of subprime defaults; Florida, 25 percent of prime-mortgage defaults and 14 percent of subprime defaults; and California, 21 percent and 15 percent.

"Defaults are on the rise in most parts of the country, but it should be recognized that it is not always the case of a homeowner losing his or her home, but is often the case of an investor gambling on a continued increase in home values and losing that gamble," Duncan said.

Fed Report

In its so-called "beige book" report on current economic conditions, the Fed said residential real estate and construction continued to weaken in most Federal Reserve districts, with inventories of unsold homes generally reported to be high.

The demand for residential mortgages also continued a downward trend in most districts, according to the report.

The Fed did find housing strength in some markets, however, with rising sales and prices in Massachusetts, a tight apartment market and rising rents in New York City, and an increase in home sales in Louisville.

On the other hand, commercial real estate and construction markets were generally stable to expanding.

PUBLIC HOUSING

*Philadelphia Plans Green Roof To Help Attain LEED Certificate For New Seniors Building

The Philadelphia Housing Authority (PHA) is building its first totally green-certified building, the 64-unit Nellie Reynolds Garden, which will have a 20,000-square-foot green roof with natural vegetation three inches deep. The green roof gives the PHA the opportunity to receive Leadership in Energy and Environmental Design (LEED) certification from the U.S. Green Building Council.

PHA Executive Director Carl Greene said that rising utility costs and the need for a healthy environment prompted the housing agency to commit to the green project.

The new development will have 55 one-bedroom and nine two-bedroom apartments in a three-story building occupied by low-income elderly persons.

The \$1 million roof will have between five and 10 spe-

cies of rock garden plants as cover. The roof will provide substantial cooling in the summer and will moderate cold temperatures in the winter.

Energy Savings

According to Charlie Miller, president of Roofscapes, Inc., the company that will install the roof, energy savings will be 10 to 20 percent compared to a conventional building. The vegetation will also keep 300,000 gallons of rainwater from running off into Philadelphia's sewer system and reduce pollution.

As part of the green construction at Nellie Reynolds Garden, the PHA will also install Energy Star appliances and fixtures, and use recycled or "green label" carpet, environmentally friendly paints, primers, and caulking to help preserve air quality.

The construction cost of the building is about \$23.4 million, with the PHA planning to invest some of its own funds. The development also received a \$1,163,164 annual allocation of 9 percent low-income housing tax credits from the Pennsylvania Housing Finance Agency. Construction will be completed in December 2008.

Supportive Services

Nellie Reynolds Garden continues the PHA's plan to meet the demand for affordable housing with supportive services for low-income seniors.

The building also will have a LIFE Center to provide for the health care needs of residents eligible for Medicare and Medicaid. The LIFE program allows seniors to age in place rather than move to a nursing facility.

Eight of the development's units will be wheelchair-accessible, and the remaining 56 will be adaptable. In addition, two of the 56 units will be for the hearing-impaired. The building will have four elevators.

The PHA has designed a supportive service program which includes safe transportation with escort services for shopping trips and medical appointments.

Social workers will be available to help tenants with referral needs, including visiting doctors, meals, special events, and other activities.

HOUSING COSTS

Home Prices Are Virtually Flat in Second Quarter, OFHEO Reports

Home prices edged up 0.1 percent from the first quarter to the second quarter of 2007, according to the Office

of Federal Housing Enterprise Oversight (OFHEO) House Price Index (HPI).

The second-quarter HPI was up 3.2 percent from the second quarter of 2006.

"House prices were basically flat in the second quarter despite tightening credit policies, rising foreclosure rates, and weakening buyer sentiment," said OFHEO Director James B. Lockhart. "Significant price declines appear localized in areas with weak economies or where price increases were particularly dramatic during the housing boom."

The HPI tracks average price changes in repeat sales or refinancings of the same single-family properties, based on data obtained from Fannie Mae and Freddie Mac. Accordingly, the index excludes houses with mortgages exceeding the conforming loan limit, which is \$417,000 for 2006 and 2007.

A separate index covering only purchase price data showed increases of 0.5 percent for the second quarter and 2.6 percent for the four-quarter period.

State, Local Prices

At the state level, Utah had the biggest increase in house prices for the year ending on June 30, 15.28 percent, followed by Wyoming, 12.84 percent; Washington state, 9.12; Montana, 9.06; New Mexico, 8.81; Idaho, 8.42; Oregon, 8.18; North Carolina, 7.10; Texas, 6.94; and Mississippi, 6.73.

At the other end, five states had price declines for the year: Nevada, 1.45 percent; Michigan, 1.42; California, 1.38; Massachusetts, 0.99; and Rhode Island, 0.97.

Of 287 metropolitan statistical areas (MSAs) ranked by OFHEO, 226 had one-year price increases and 61 had price declines.

The Wenatchee, Wash., MSA, with a one-year increase of 23.54 percent, had the highest price appreciation, followed by Provo-Orem, Utah, 18.21 percent; Salt Lake City, Utah, 16.03; Ogden-Clearfield, Utah, 15.22; Grand Junction, Colo., 14.30; Longview, Wash., 13.60; El Paso, Texas, 12.49; Salem, Ore., 11.98; Mobile, Ala., 11.26; and Asheville, N.C., 10.90.

Merced, Calif., with a price drop of 8.65 percent, had the largest one-year decline. The other areas in the bottom 10 were Santa Barbara-Santa Maria-Goleta, Calif., where the price decline was 8.10 percent; Stockton, Calif., 7.20; Punta Gorda, Fla., 7.12; Salinas, Calif., 6.95; Modesto, Calif., 6.51; Yuba City, Calif., 6.29; Sarasota-Bradenton-Venice, Fla., 6.19; Sacramento-Arden-Arcade-Roseville, Calif., 6.07; and Reno-Sparks, Nev., 5.37.

The rules on decision points for policy actions would be revised to include HUD's waiver of an environmental regulation as a policy point.

Other Provisions

The rules would also add as a decision point for projects HUD's decision to execute a release of a declaration of trust or declaration of restrictive covenants on PHA property that is the subject of an eminent domain lawsuit. Federal interests in property aren't subject to such suits.

The exclusion in the floodplain management rules for HUD mortgage insurance programs would be extended to apply to any HUD program for the repair, rehabilitation, modernization, or improvement of existing multifamily projects.

The regulations on tiering of environmental reviews and assessments by program recipients and other entities assuming HUD's environmental responsibilities would be revised to emphasize the limitation on activities pending environmental clearance.

Other provisions in the proposed rules would encourage electronic management and posting of environmental review records and require oversight for environmental protection to be performed consistently and collaboratively, with quality management reviews of field offices and on-site monitoring of clients.

(For further information, contact Richard H. Broun, 202-708-2894.)

AFFORDABLE HOUSING

Seattle City Council Considers Expanding Property Tax Break To Moderate-Income Housing

Seattle Mayor Gregory J. Nickles asked the City Council to expand the property tax exemption for low-income rental and condominium units to include housing affordable to moderate-income households.

The somewhat higher rents paid by moderate-income households would help retain the economic incentive for developers to participate at a time of rising construction costs, according to a program evaluation report from the office of housing.

Nickles said the proposed changes to the Seattle Homes Within Reach program would make more housing available for police, firefighters, nurses, grocery clerks, and others. "If you work in Seattle, you should be able to live in Seattle," Nickles said.

Moderate-Income Households

Census data show that moderate-income Seattle workers reside within the city at a lower rate than lower- or higher-income workers, according to the housing office report.

Nickles also proposed increasing the number of targeted neighborhoods where the exemption is available from 17 to 39. The additional neighborhoods would include the city's designated urban centers and villages which are areas of high-density, mixed-use development near transportation lines.

According to the city review, the value of the tax exemption for rental properties hasn't kept pace with the cost of below-market rents. The review found that construction and land costs have increased substantially during the last two years to the point where there is little if any incentive for multifamily owners to participate.

Tax Exemption

The mayor's proposal would provide a 12-year tax exemption for eligible multifamily rental projects under a recent change in state law allowing the city to provide an eight- or 12- year tax exemption. The city's current rental tax exemption is 10 years. The proposal would apply to both new construction and rehabilitation projects.

The maximum incomes for eligible households would increase from the current 70 percent of area median income (AMI) for rentals to 90 or 100 percent of AMI, depending on the income affordability set-aside for the apartment. The city estimated that the new income limit would help individuals earning up to \$49,000 and two-person households earning up to \$62,300.

For condos, the maximum incomes for eligible families would increase from 80 to 120 percent of AMI. The income eligibility ceiling is for initial occupancy only. A family continues to be eligible even if income increases at a later date.

Set-Asides

The minimum rental set-aside requirements in the proposal are tied to the number of two-bedroom units in a project to address a concern of city council members that larger units should be made available.

If at least 10 percent of the units in a development have two or more bedrooms, at least 20 percent of all units must be affordable to tenants at or below 90 percent of area median income (AMI) for studio units and 100 percent of AMI for one-bedroom or larger units.

If fewer than 10 percent of the units contain two or more bedrooms, at least 25 percent of units must be affordable to tenants at or below 90 percent of AMI for studio units and 100 percent of AMI for one-bedroom and larger units.

For owner-occupied condos, the proposal would require 20 percent of the units to be affordable to households at or below 120 percent of AMI.

The tax exemption for the owner-occupied housing is eight years for each unit or 12 years if at least 20 percent of units are eligible units. The exemption applies only to the eligible units in the project.

Mixed-income developments are eligible for the tax exemption. In these developments, all residential units are considered as one multifamily project.

FLOOD INSURANCE

FEMA Should Improve Controls Over Payment of Expenses, GAO Says

The Federal Emergency Management Agency (FEMA) should improve its management of the national flood insurance program by getting a better handle on its pay-

ASSISTED HOUSING



Housing Providers Support Income Verification, But Find Rule Flawed

Housing providers said there are several flaws in HUD's proposed rule to implement the up-front income verification (UIV) process for applicants and participants in housing assistance programs, including use of HUD's enterprise income verification (EIV) system, which provides employment and income data.

In public comments on the proposed rule published in the June 19 Federal Register, housing groups generally supported HUD's effort to reduce errors in rent subsidy determinations, but they asked the department to avoid placing an undue regulatory burden on managers of public and assisted housing. The proposed regulation would apply to public housing, Section 8 tenant-based vouchers, and project-based rental assistance. (For background, see *Current Developments*, Vol. 35, No. CD-13, p. 405.)

In its comments, the Public Housing Authorities Directors Association (PHADA) said "the proposed rule appears to constrain the discretion of both HUD and HAS and other program sponsors and to increase administrative burden for assisted housing program sponsors to little or no benefit."

Alternatives Suggested

PHADA said there are alternatives to using the EIV as proposed in the rule without requiring the collection of Social Security cards for all children under age six and without jeopardizing housing assistance for an unknown number of families with mixed immigration status. In these families, only some individuals may have Social Security numbers (SSNs), which are needed for the EIV.

A major goal of the rule, according to PHADA, appears to be restricting immigrant access to assisted housing by requiring SSNs for all household members and eliminating the option of prorated assistance when some family members are unable to produce adequate verification of citizenship.

As an alternative, PHADA suggested that PHAs require disclosure of accurate SSNs in a manner left to their discretion. PHADA said that PHAs should use that information along with names and birth dates to verify income through EIV, proceeding further with SSN verification and documentation only when there is an SSN mismatch.

PHADA also said that the proposed rule reaches well beyond the current statute and regulations by requiring use of EIV or UIV and by mandating that these sources constitute verification unless participants or applicants object.

Instead, PHADA said HUD should issue guidance to housing providers instructing them that their use of EIV and its implied verification of SSNs through computer matching constitutes adequate verification and documentation. PHADA said this approach would retain the discretion that PHAs currently enjoy to determine the adequacy of income verification.

Model Lease Changes

The National Leased Housing Association (NLHA) said

its members are concerned about the termination of tenancy or assistance if existing residents do not comply with the requirement for providing SSNs. NLHA said that the Section 8 model lease may have to be amended to include this requirement, or owners may have a difficult time obtaining eviction orders from local housing courts based on missing SSN documentation.

NLHA also said there is concern about the requirement to prorate rent supplement and Section 236 rental assistance payments (RAP) for households that cannot provide appropriate SSNs since this will require a change in software for reporting on HUD's electronic systems.

Owners and agents have only recently begun using EIV to verify resident incomes, but third-party processing is still necessary for new admissions. NLHA said this combination requires establishing two distinct processing systems and revising operating procedures and staff training. The group said that HUD should consider the impact of a dual system and should not impose penalties for failure to implement a UIV process.

Evidence of Eligible Status

NLHA said it understands HUD's interest in requiring evidence of citizenship or eligible immigration status of applicants, but said the department should clarify that such documentation doesn't have to be collected for current residents or voucher holders. Such a requirement would significantly increase the document collection responsibilities of housing providers, including PHAs, said NLHA.

NLHA and other groups also noted that HUD is proposing to change the definition of income to consider actual income received during the prior 12 months instead of projecting anticipated income. NLHA said this change may be unfairly applied to many applicants and residents and cause their effective share of the rent to rise above 30 percent of income.

In addition, said NLHA, deserving families may be denied assistance because the past year's income included money that is not expected to continue because of a change or loss of employment, lack of overtime pay, or other reasons. At a minimum, said NLHA, property owners, their agents, and PHAs should be provided reasonable discretion to determine tenants' current ability to pay rent.

NLHA suggested that HUD merely tighten the rules for reporting increased income while continuing the projected income method currently in use. Another alternative, said NLHA, would be to examine actual income at year-end recertification and make adjustment to that year's rent as needed, based on the results.

MORTGAGE FINANCE

Regulators Encourage Servicers to Consider Loss Mitigation Actions For Troubled Securitized Loans

Federal and state regulators are encouraging financial institutions servicing securitized home mortgages to determine their authority under pooling and servicing agreements to identify borrowers at risk of default and pursue

Minority Home Buyers Can Pursue Reverse-Redlining Claim

Minority home buyers who alleged that they were victims of a fraudulent property-flipping scheme that targeted minorities can pursue a reverse-redlining claim under the Fair Housing Act, the U.S. District Court for the Eastern District of New York ruled. (*Barkley v. Olympia Mortgage Co.*, Nos. 04 CV 875(RJD)(KAM), 05 CV 187(RJD)(KAM), 05 CV 4386(RJD)(KAM), 05 CV 5302(RJD)(KAM), 05 CV 5362(RJD)(KAM), 05 CV 5679(RJD)(KAM), 2007 WL 2437810 (E.D.N.Y.), August 22, 2007)

The plaintiffs, eight first-time home buyers, brought suit against real estate companies, lenders, appraisers, and lawyers, claiming that the defendants conspired to sell them over-valued, defective homes financed with predatory loans and targeted them because they are minorities.

They alleged violation of the Fair Housing Act, other federal civil rights laws, and state and local anti-discrimination and consumer protection statutes.

The defendants moved to dismiss the claims under Federal Rules of Civil Procedure 12(b)(1) and 12(b)(6). The key issues, the court explained, are whether the plaintiffs have sufficiently pled race discrimination in violation of federal law and whether the claims against individual defendants are pled with sufficient specificity.

Fair Housing Act

In their Fair Housing Act claims, the plaintiffs contended that the defendants violated 42 U.S.C. Sections 3604(b) and 3605(a), which ban racial discrimination in the terms or conditions of residential real estate transactions.

In contrast to the typical fair housing case, which involves the refusal to sell or rent housing to minorities, this case alleges reverse redlining, or the targeting of minorities and only minorities for sales on unfair terms.

As an initial matter, the court noted, the parties disagreed on the elements of a prima facie case of reverse redlining.

In a typical housing discrimination case, the court explained, plaintiffs must allege that they are members of a protected class, that they sought and were qualified to rent or purchase the housing, that they were rejected, and that the housing remained available to other renters or purchasers. Plaintiffs generally may establish a violation based on a theory of disparate treatment or a theory of disparate impact.

Reverse Redlining

In *Matthews v. New Century Mortgage Corp.*, 185 F.Supp.2d 874 (S.D. Ohio 2002), a case involving a predatory lending scheme that allegedly targeted single, elderly

and minority borrowers, the court held that a prima facie case of reverse redlining based on reverse redlining, the plaintiff or the state must show that she is a member of a protected class, that she applied for and was qualified for loans, that the loans were given on grossly unfavorable terms, and that the lender continues to provide loans to other applicants with similar qualifications, but on significantly more favorable terms.

As an alternative, the court held that if the plaintiff could present direct evidence that the lender intentionally targeted her for unfair loans on the basis of sex and marital status, she would not also have to show that the lender makes loans on more favorable terms to others. Other courts have supported the holding in *Matthews*.

The defendants challenged this interpretation, arguing that the fourth element of a prima facie case can be satisfied only with evidence of disparate treatment or impact and not with evidence of intentional targeting.

Rejecting that argument and agreeing with the *Matthews* ruling, the court said it "joins the other district courts to have considered reverse-redlining claims premised on targeting allegations and holds that plaintiffs may establish the fourth prong of their prima facie case with evidence of intentional targeting."

Federal Civil Rights Laws

The plaintiffs also alleged violations of 42 U.S.C. Sections 1981, 1982, and 1985(3).

Sections 1981 and 1982 ban discrimination in various financial transactions, including the purchase of real property, and Section 1985(3) prohibits two or more persons from conspiring for the purpose of depriving any person of the equal protection of the laws.

In refusing to dismiss these claims, the court disagreed with the defendants' assertion that the plaintiffs have failed to allege intentional discrimination, as required under the three statutes.

"Plaintiffs have alleged specific conduct which, if proven at trial, could support an inference of intentional discrimination," the court explained. "The complaints outline a far-reaching conspiracy that touched every step of the home-buying process and depended for its success on the participation of every player in that process."

The court denied the defendants' motions to dismiss the fair housing and civil rights claims. The court dismissed a Truth in Lending Act claim as time-barred and dismissed some of the claims against one of the individual defendants, but refused to dismiss the other claims.

ASSISTED HOUSING

* Rucker Decision Doesn't Mandate Strict Liability Standard for Eviction

The U.S. Supreme Court's *Rucker* decision does not mandate a strict liability standard for eviction from fed-

erally subsidized housing in cases of criminal activity by a tenant, the Delaware Superior Court, Kent County, ruled. (*Howell v. Delaware State Housing Authority*, C.A. No. 07A-03-001, 2007 WL 2319147 (Del.Super.), July 10, 2007)

The Delaware State Housing Authority (DSHA) instituted summary possession proceedings against tenant Luciel Howell in the Justice of the Peace Court, maintaining that certain criminal offenses allegedly committed by Howell, along with her intoxication during those offenses, violated section 8(m) of her lease, which prohibits "any criminal activity that threatens the health, safety or right to peaceful enjoyment" of other residents.

The DSHA argued that under the decision in *HUD v. Rucker*, 535 U.S. 125 (2002), Howell could be evicted if the court simply found that she committed criminal activity.

The DSHA also contended that the federal regulations on which the applicable lease provisions were based required use of a strict liability standard when criminal activity occurred in a public housing unit.

The Justice of the Peace Court issued a writ of possession for the DSHA, and after Howell's unsuccessful appeal to the Court of Common Pleas, the DSHA recovered possession of the unit. Howell then filed for a writ of certiorari with the Superior Court, which the court granted.

Court Ruling

Rejecting the DSHA arguments, the court found that the authority's interpretation of the lease provision on criminal activity is not supported by either *Rucker* or a plain reading of the provision.

In *Rucker*, the Supreme Court held that a PHA could evict a tenant for drug activity by a household member or guest despite the tenant's lack of knowledge of the activity. While that holding could be extended to other criminal activity, the court said, it is inapplicable in this case since the tenant's own activity was at issue.

The court also rejected the DSHA's contention that under *Rucker*, the occurrence of drug-related activity automatically results in termination of the lease and eviction.

"*Rucker* does not stand for that proposition, or demand that a strict liability standard be applied in cases of mere criminal activity," the court said. "Therefore, in this case, *Rucker* has no application. It does not mandate a strict liability standard for eviction in cases of criminal activity."

Basis for Eviction

The court noted that section 8(m) of the lease tracks the language in Section 8(d)(1)(B)(iii) of the U.S. Housing Act of 1937, 42 U.S. Section 1437f(d)(1)(B)(iii), which provides grounds for termination of tenancy for criminal activity.

Accordingly, the court said, the DSHA must demonstrate, and the Justice of the Peace Court must find, that the tenant, a member of the tenant's household, or a guest or any other person under the tenant's control engaged in criminal activity that threatens the health, safety, or right

to peaceful enjoyment of the premises by other residents or management employees.

"To be clear," the court emphasized, "the third element requires that the criminal activity negatively impact (i.e. threaten) the health, safety, or right to peaceful enjoyment of others; in other words, the criminal activity must cause a negative impact."

Under this requirement, the court explained, it is not the mere occurrence of a crime, but the proof of a threat to others that justifies eviction. "In determining whether this standard has been met, the discretion is granted to the Justice of the Peace Court," the court added. "The point, though, is that it must be considered and decided."

State Law Preempted

However, the court agreed with the DSHA that for subsidized housing, federal law preempts the provision in state law, 25 Del. C. Section 5513(b), that a finding of irreparable harm to a person or property is necessary to evict a tenant without providing an opportunity to cure an alleged lease violation.

Turning to the decision of the Justice of the Peace Court, the court found it insufficient for review on certiorari because the lower court failed to state the facts underlying its decision or provide the legal analysis used to reach its conclusion.

Accordingly, the court remanded the case to the Justice of the Peace Court for further proceedings consistent with its opinion.

FAIR HOUSING

Plaintiffs Don't Have to Establish Prima Facie Case at Pleading Stage Of Housing Discrimination Case

Plaintiffs in a housing discrimination case do not have to establish each of the elements of a prima facie case at the pleading stage in order to survive a motion to dismiss, the U.S. Court of Appeals for the Sixth Circuit ruled, reversing the decision of the district court. (*Lindsay v. Yates*, No. 06-4430, 2007 WL 2316626 (6th Cir.(Ohio)), August 15, 2007; for background, see *Current Developments*, Vol. 34, No. CD-23, p. 733.)

In this case, Douglas and Tina Lindsay, an African-American couple, signed a contract to purchase a home. When the owners refused to go through with the sale, they filed suit alleging racial discrimination in violation of the Fair Housing Act and other civil rights laws.

The district court dismissed the suit, finding that the plaintiffs failed to establish a prima facie case under the McDonnell Douglas burden-shifting test. Specifically, the court held that the plaintiffs failed to satisfy the fourth element of the test because they did not plead facts showing that the property remained on the market for other potential buyers.

Court Ruling

In reversing the district court ruling, the Sixth Circuit cited the U.S. Supreme Court decision in *Swierkiewicz v.*

interpreting this section highlighted its substantive components.

In one case, the state supreme court ruled that a landlord was required to give a tenant the right to cure delinquent rent; in another, the supreme court said a landlord even had to give a tenant the right to cure when the breach was the tenant's intimidating conduct, which the landlord argued was not remediable. The supreme court disagreed, holding that after the notice of the right to remedy is given, "whether the tenant has remedied the breach then becomes a fact question for the trial court."

The court drew two conclusions from these cases: a residential tenant has the right to cure a violation before the lease is terminated, and the landlord must inform the tenant of that right.

The 2003 amendment eliminated both the notice requirement and the tenant's right to cure. The court said these changes are clearly substantive in nature, and substantive legislation cannot operate retrospectively. The court said the district court properly refused to apply the amendment to violations that allegedly occurred years before its enactment. The court affirmed the district court's grant of summary judgment to Hunter.

SECTION 8

Termination of Benefits Reversed; Hearing Officer Is Ordered to Consider Mitigating Circumstances

The Minnesota Court of Appeals reversed a termination of Section 8 housing benefits, ordering a hearing officer to consider mitigating circumstances. (*Vicks v. Dakota County Community Development Agency*, No. A06-1302, 2007 WL 2416872 (Minn.App.), August 28, 2007)

Veronica Hicks, who suffers from conditions that limit her ability to care for her two special needs children, participated in the Section 8 voucher program. Her niece, C.H., who often visited Hicks to help care for Hicks and her children, applied for her own housing assistance and listed Hicks' address as her own for contact purposes.

Fai-Yee Xiong, a housing specialist at the Dakota County Community Development Agency (DCA), learned about the niece's living arrangement from the niece's case worker and inspected Hicks' home to determine who was living there. During this inspection, but after Hicks had recertified that only she and her children lived on the premises, Hicks asked to add her niece to the household. Hicks repeated the request in writing on several occasions.

Because the niece could not verify that she lived with Hicks, she lost her housing assistance eligibility. At the same time, DCA approved termination of Hicks' housing assistance, which was upheld by a hearing officer, who did not include a transcript of the hearing with a copy of the order.

Hicks appealed, claiming the record did not support that she failed to comply with program requirements, the hearing officer failed to make adequate findings regarding credibility of the witnesses, and the hearing officer acted in an arbitrary and capricious manner.

Court Ruling

The court noted that GDA acts in a quasi-judicial capacity when it terminates a tenant's Section 8 assistance after an informal hearing, and a court will uphold its actions unless they are "unconstitutional, outside the agency's jurisdiction, procedurally defective, based on an erroneous legal theory, unsupported by substantial evidence, or arbitrary and capricious."

The court agreed with Hicks that the hearing officer's findings were not supported by credible evidence.

Although the hearing officer summarized the testimony of the witnesses, the hearing officer did not make any findings of fact. Without more specific findings of fact, the court said it was unable to conduct a meaningful review of the hearing officer's decision.

Mitigating Circumstances

Hicks also argued that the hearing officer's decision was arbitrary and capricious because the hearing officer failed to consider relevant mitigating circumstances.

Citing *In re Excess Surplus of Blue Cross and Blue Shield of Minn.*, 624 N.W. 2d 264 (Minn. 2001), the court said that when a housing authority decides to terminate assistance because of action or (as in this case) failure to act by family members, the authority may consider all relevant circumstances. CDA argued that this is permissive, not mandatory, and failure to consider mitigating circumstances cannot be challenged.

The court disagreed. "The permissive nature of the regulation does [not] preclude a determination that mitigating circumstances are an important factor that must be considered in a particular case," it said.

The court said the hearing officer's summary of the testimony demonstrated that the hearing officer knew about Hicks' physical and mental problems, her children's special needs, the assistance C.H. gave to the household, Hicks' need for assistance, and the fact that C.H. could have been added to the lease "but for the reporting issues caused by C.H.'s use of Hicks' address" when C.H. applied for housing assistance.

However, the court said the findings and the decision did not indicate whether the hearing officer considered whether termination was appropriate when balanced against the nature of the violation, the degree of Hicks' culpability, or the effects of loss of assistance on Hicks' children, who had no culpability.

The court concluded that the "hearing officer's failure to even consider mitigating circumstances is a failure to consider an important aspect of the case." The court reversed the termination of housing benefits and ordered the hearing officer to consider mitigating circumstances on remand.

Courts in Brief

A fair housing claim for retaliatory eviction was barred by the two-year statute of limitations, the U.S. District Court for Colorado ruled. (*Lawton v. Peroulis*, Civil No. 06-cv-01125-REB-MEH, 2007 WL 2439451 (D.Colo.), August 23, 2007)

The court rejected the plaintiff's argument that the stat-

the recommendation simply continues the crisis in subprime lending by removing any incentive by the borrower to repay a loan if there is no financial investment in the property.

The Senate Banking Committee, in its proposed Building American Homeownership Act, wants at least 1.5% of the loan as a downpayment. While some senators pushed for no downpayment, the 1.5% compromise engineered by Chairman Christopher Dodd (D-CT) is adopted, considering the present requirement of a 3% downpayment.

HUD is the main proponent of FHA reform, having authored the initial proposal last year. The reform effort was sidelined by the mid-term elections and subsequent Democratic takeover of Congress. It was resurrected when the subprime dilemma erupted with full fury this year.

A provision in both bills—tapping FHA's mortgage insurance premium fund for at least \$300 million a year to help finance a national affordable housing trust fund—receives little opposition.

Sources tell *HAL* opposition exists but Republican conservatives are reserving their fight against the idea for the government-sponsored enterprise (GSE) regulatory reform effort.

HR 1427, the proposed creation of a new regulator for Fannie Mae, Freddie Mac and the 12 Federal Home Loan Banks, would take a percentage of FNMA and FHLMC investment portfolio after-tax profits to finance an affordable housing trust fund.

Conservative Republicans and some conservative Democrats elected in 2006 oppose the fund and are mapping a bipartisan fight to resist it.

Unless differences in the FHA bills are reached quickly—Congress is running out of time in its self-imposed dates for adjournment (*HAL*, 9/14p1)—and the bill is signed into law this year, borrowers are unlikely to get FHA help this year despite HUD's assurances otherwise.

MORTGAGE FINANCE

Fed Looks At Mortgage Restrictions

Distancing himself from the Alan Greenspan approach to mortgage lending, Federal Reserve Chairman Ben Bernanke tells the House Financial Services Committee the Fed is conducting a broad review of consumer protection regulations under its existing authority.

Bernanke says the subprime dilemma underscores the need for more uniform enforcement in the fragmented market structure of brokers and lenders.

Former Fed Chairman Greenspan, reluctant to block flexible or exotic mortgage products which could have a

useful purpose for certain borrowing sectors and hesitant about interfering with the markets, now acknowledges he was remiss in his approach.

Bernanke says the Fed is looking closely at some mortgage lending practices, including prepayment penalties, escrow accounts for taxes and insurance, stated-income and low-documentation lending, and the evaluation of a borrower's ability to repay

*Yuppies Sidestepped In HUD Rescue

Baby boomers who took out jumbo home loans to keep up with the Joneses can look past HUD for mortgage help, says HUD Secy. Alphonso Jackson, again and again.

Jackson's "yuppie" refrain—he uses it at every opportunity, the most recent before the House Financial Services Committee Sept. 20—is intended to emphasize HUD's new plan to help beleaguered homeowners primarily is aimed at blue collar and service workers.

The Federal Housing Admin. (FHA) Secure plan is trumpeted by Jackson as a way of making a point to Congress to speed passage of the FHA reform bills (*HAL*, 9/7p3) (see related story p1).

FHASecure focuses on teachers, nurses, police officers, firefighters and others with moderate incomes. The plan would reach about 250,000 of the estimated 1 million-2 million homeowners holding subprime loans with interest rates about to reset under adjustable-rate mortgage (ARM) terms.

Others could be eligible for lower downpayments if they meet FHA requirements.

So far, FHA has been able to prevent about 20,000 foreclosures, Jackson says.

But Jackson is emphatic—yuppies can find another way to extract themselves from their financial quagmires.

The primary purpose of FHASecure at the moment is

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Sources tell *HAL* the HUD spending plan likely will be rolled up in an omnibus measure encompassing the remaining nine appropriations bills.

The move being mapped by Democratic leaders would force President Bush's hand on threats to veto bills containing spending above the \$933 billion ceiling recommended by the Office of Management & Budget (OMB).

Veto of an omnibus either would force closure of government or a sustained continuing resolution through FY 2008.

Democrats want to avoid both. The first option would cast a negative light on Democratic leadership in a year when Democrats want to gain the White House as well as retain their hold on Congress.

The second option is anathema as well. It would starve several domestic programs, including public and subsidized housing, which Democrats view as essential to their political well-being as well as deny them the political advantage accompanying pork-barrel projects embodied in the spending bills, earmarks denied in FY 2007 when the new leadership vowed to curb the practice.

TAXES

Tax Credit DDAs Outlined

Difficult development areas (DDAs) for low income housing tax credits (LIHTC) are outlined in the *Federal Register*.

LIHTC projects in DDAs are eligible for up to 30% more in tax credit subsidies than projects outside DDA boundaries.

Info: www.cdpublications.com/docs/4035

HUD



Landlord Sec. 8 Payments Scrambled

Despite a \$1 billion July bailout from the Office of Management & Budget (*HAL*, 7/27p1), HUD has no money to continue paying Sec. 8 project-based landlords.

The problem has become so contentious among the thousands of unpaid landlords, it has drawn the attention of Sen. Charles Schumer (D-NY) and puts the program in jeopardy.

Sources tell *HAL* that, unless HUD finds a way to raise more cash to pay the landlords—insiders tell us the department needs up to \$3 billion to remedy the problem—more landlords whose HUD contracts are ending will choose to retreat from the program.

HUD officials tell *HAL* they are looking into a response to *HAL*'s query, but they had not replied at press time.

HUD has spent years and millions of dollars on a market-to-market program to reform the project-based program and provide landlords with more reasonable rent subsidies—on par with similar rental housing in individual locales—to preserve affordable housing for thousands of Sec. 8 tenants.

The financial quandary could put those tenants in jeopardy, forcing them to pay market rent or face eviction, if landlords decide to pay off their mortgages and convert to private housing.

HUD said in July all landlords would be paid by the end of the month. But Schumer contends HUD never paid its August subsidy for more than 7,000 apartments in New York state, including almost 4,000 apartments in 43 buildings in New York City.

Sources tell *HAL* lack of money isn't the only issue. HUD has fallen behind in its administrative ability to process the payments, much like its lack of ability to respond to other crises such as administration of the public housing asset-management program.

CGI Gets Outsource Contract Renewal

Canadian contractor CGI Group Inc. gets another two years on its seven-year old contract with the Columbus Metropolitan Housing Authority (CMHA) to administer multifamily housing payments for HUD in Ohio.

HUD outsources its administrative responsibilities to the information technology contractor for about 25% of its multifamily housing program, including Florida, New York and northern California.

CGI processes about \$1.5 billion a year for HUD.

HUD To Sell Unsubsidized Loans

HUD will put some unsubsidized mortgage loans secured by multifamily and healthcare properties on the market.

The department says in its request for bids that the loans basically are made up of non-performing mortgages and will be sold without Federal Housing Admin. (FHA) insurance and with servicing released.

The loans will be separated into categories of similar property types, geographic locations, lien conditions and performance.

Info: www.cdpublications.com/docs/4034

SuperNOFA For Four Programs

Funding competition is open for applicants in four programs under the HUD Demonstration Act of 1993—Enterprise Community Partners Inc., Local Initiatives Support Corp., Habitat for Humanity, and YouthBuild USA.

Applicants must be able to provide \$3 from private

Lawyers Find Profits, Stability in Affordable Housing Deals

By Peter B. Matuszak
Daily Journal Staff Writer

LOS ANGELES — When developers of the L.A. Live project needed to secure an additional \$400 million loan from Bank of America for the multibillion real estate expansion on the western edge of downtown, Robert Williams, a partner at Sheppard Mullin Richter & Hampton, was more than happy to make the deal happen.

Real Estate

However, much smaller and complex developments are what keep the 56-year-old lawyer invigorated in the firm's real estate practice.

Sit down with the finance expert and you are more likely to hear about the decades he has spent developing his affordable-housing practice at the firm than the billion-dollar projects that dominate the headlines.

"It may be largely overlooked," said Williams, "but the Low Income Housing Tax Credit may be one of the most successful government subsidies ever and has consistently earned bipartisan support."

For instance, Williams negotiated the financing for the \$55 million Northwest Gateway apartments. The project on the corner of Second Street and Glendale Boulevard will have 20 percent of its 275 apartments dedicated to lower income housing. To qualify, residents will have to earn less than half the median income for the area.

To pay for the construction of these below market units, Williams negotiated a financing deal that includes state bonds for the project, three different financial partners that broker those bonds, a federal tax credit and partners that sign on to take advantage of that money.

Williams' patience fits his line of work. In the affordable housing world, deals can include half a dozen parties pushing loans, interest, equity, tax credits and costs in countervailing directions.

But for the few law firms that have figured out the maze of the affordable housing sector, the practice can yield consistent profits for clients and lawyers. Navigating the regulations and various investors, said Williams, leads to more billable work hours than a typical market rate deal.

According to Williams and other lawyers in the field, the affordable housing market can be recession-proof and even grow when market-rate real estate flounders.

A small tight-knit community of lawyers negotiate affordable housing deals in California.



ROBERT LEVINS / Daily Journal

Attorney Bob Williams stands near the Northwest Gateway development. He and his team helped secure financing for the Los Angeles project using affordable housing incentives.

According to Lance Bocarsly, 45, a founding partner of Bocarsly Emden Cowan Esmail Parker & Arndt, there are fewer than 10 firms in the state with more than two attorneys dedicated to the practice.

"You see a lot of the same faces in every deal, but there isn't a cookie cutter format for any project; each one is unique," Bocarsly said. "There isn't a deal I do where I don't learn something."

"It's a multidisciplinary practice that touches on real estate, tax partnership law and basic economics and of course construction and developer issues. It's real-world problems that are unique and interesting."

Williams and Bocarsly work together frequently and agree that lawyers with a head for the complex field also can gain personal satisfaction of addressing a real need in the state.

"Knowing that in addition to running a viable practice I would be able to help the community for me was the difference between being able to practice law and not," said Bocarsly, who has spent the past 20 years in the practice.

He began in the niche real estate area with the same group of attorneys who first worked together at the former Riordan & McKenzie firm, which was later absorbed by Bingham McCutchen, before founding their own firm in 2006.

"Although I would do it, and have done it, pro bono" Williams said, "we run a profitable practice just like every

other group at the firm."

Williams' team at Sheppard Mullin includes one other partner and three associates. Through the Los Angeles County Bar Association's Public Counsel Affordable Housing Project he has represented nonprofit developers on a pro bono basis.

Cathy Creswell, deputy director of the California Department of Housing and Community Development, applauds the work of these law firms as affordable housing in the state needs all the advocates it can find.

"The housing markets are different everywhere, but overall we are seeing more families homeless than previous decades," Creswell said. "Shelter providers are also seeing more and more working people, and so even with a job finding housing can be a problem in

the state."

Just to keep up with population growth, she said, there needs to be 200,000 to 220,000 new homes built every year. However, she said, this level has only been achieved twice in the past two decades pushing up market prices and the income level need to avoid becoming homeless.

Creswell credits the work done by lawyers like Bocarsly and Williams and their clients for bringing much needed private sector funding for affordable housing.

However, it is a combination of carrots placed in just the right place by the federal government, according to Williams, that keeps for-profit companies coming back to the affordable housing market.

Since the mid-1990s, there has continued to be increased interest from developers and banks in the affordable housing market.

"Back in 1991 when other firms were laying off lawyers in from their real estate group, we were hiring, we did very well back then," said Bocarsly, who credits that growth with lower land prices at the time, government incentives and a demand for reasonably priced rentals.

The financial institutions that Williams has represented, such as Bank of America, Wells Fargo, Citibank and other major lenders, are enticed into these deals to earn community development credits. Since the late 1970s banks have needed these awards for community reinvestment in order to get governmental approval for major mergers, acquisitions and other purchases regulated by the Securities and Exchange Commission.

That's where Bocarsly's developer clients come in.

By investing in affordable housing projects banks earn credits that they need, but take on little risk due to local, state and federal money propping up the developments.

The most common of which is the

Low Income Housing Tax Credit.

Congress first passed the tax credit in 1986, and it provides millions in federal tax credits to states every year to build housing for residents who make 60 percent or less of the average median income of their communities.

Each state determines how the money is divided up. In California a committee awards the money twice a year through a merit-based competition. Points are awarded to developers depending on the number of affordable units their proposals will create, income level of the residents targeted for the new apartments and cost per unit built, among myriad other factors.

This year the state's allotment was \$80 million. Projects that receive this money are guaranteed to maintain affordable housing units at the site for a minimum of 55 years. To qualify for this funding, developments must also have a 20 percent minimum of their units dedicated to low-income residents. According to Williams though, that number frequently goes higher to compete for the larger subsidies available.

In 1996, the credit was made permanent and indexed to inflation after a Congressional study revealed that the program was highly successful in drawing in private sector investment into the low-income housing market.

Bocarsly said that prior to the downturn in the market in 1991, he only had a dozen clients in the affordable housing market and nearly all where nonprofit organizations. In the ensuing years he took on around 75 new clients, almost all that were for-profit and nearly all stayed in the affordable market even after the real estate values recovered from that recession.

This new interest increased the number of low-income housing projects being planned and, according to representatives from some nonprofit groups, it also made the federal money more scarce.

Paul Zimmerman is the director of the Southern California Association of Non-Profit Housing, which represents 450 of these community groups.

"Truth be told, if you look at who is getting the allocation there is something amiss," Zimmerman said. "For-profit developers seem to be winning. When it comes down to tie-breakers, the system seems to be biased toward them."

The 23-year veteran of nonprofit housing said that the ability of larger companies to build at a lower cost per unit may be the factor that earns them more of the federal allocations for housing.

However, despite the competition over funds, Zimmerman also sees these companies as necessary partners in the struggle to catch up with demand for more below-market-rate units.

Beyond the need for new affordable housing, much of the current inventory is vanishing. According to a study by the Southern California Association of Governments, 11,000 units of affordable housing have been converted to market-rate condominiums and more than 52,000 units of low-income housing are at-risk of following that lead.

Zimmerman noted that despite all the best efforts of nonprofit and for-profit groups alike, the task ahead is vast. He said in the best of years, Los Angeles has added only around 2,000 new low-income units citywide and that it would need to more than double that number to address this ever-growing deficit.

"We are entering an era of extreme polarization of wealth and every year are losing more and more of the middle class," he said. "This is very evident in the housing market, and eventually this is going to put pressure on the government to increase public policy to address this fallout."

Instead, Kinard would receive a bonus amounting to 10% of his annual pay, about \$19,000, if he is able to pull off the feat. Kinard was brought in by Newark officials to clean up administrative chaos left by former director Harold Lucas, a former HUD executive under Secy. Andrew Cuomo who was accused of padding NHA's payroll with relatives, spending thousands on personal amenities including a plasma television for his office, and selling NHA land to benefit former Mayor Sharpe James, who is under grand jury indictment for his activities as mayor, to develop a news sports arena.

HUD ordered NHA to repay millions the department claims was spent in violation of rules.

ASSISTED HOUSING

Sec. 8 Landlords Promised Payment


Following *HAL*'s disclosure last week (*HAL*, 9/21p5) that project-based Sec. 8 landlords continue to miss their monthly reimbursements from HUD, the department issues an e-mail assurance the checks will be in the mail.

"I am happy to report that as of today, all 2007 funding actions have now been completed at headquarters and sent to HUD field offices for final processing," the e-mail says.

The message, with an accompanying apology and promise to do better in 2008, claims 1,000 of the 22,000 owners of HUD-subsidized developments had not received their payments on time.

State Wants More Katrina Aid

Louisiana: The state's "Road Home" program will go broke by the end of the year without an infusion of federal aid, state officials say.

The claim follows a reallocation of \$1 billion to keep the program from going under next month. HUD must approve the money shift. 

Even with the additional aid, Road Home will be short \$3.5 billion. If HUD refuses the \$1 billion reallocation and Congress doesn't free \$1.2 billion in hazard mitigation money, the shortfall will exceed \$5.6 billion, officials claim.

So far, more than 54,000 homeowners have received one-time grants to rebuild or restore their houses, despite the bureaucratic and red-tape pitfalls which delayed implementation for months following Hurricane Katrina.

More than 184,000 homeowners have applied for the grants, but officials estimated 162,000 will receive aid after ineligible applicants are rejected.

If additional aid is rejected, officials estimate 76,000 eligible homeowners won't receive grants.

AFFORDABLE HOUSING

Post Katrina Affordable Housing Lag

Mississippi: Recovery of housing affordable to the average south Mississippi family affected by Hurricane Katrina's devastation two years ago lags significantly behind higher-priced homes, a new Rand Corp. study finds.

The study, *Post-Katrina Recovery of the Housing Market Along the Mississippi Gulf Coast*, is highlighted by a lack of affordable housing available to workers involved in the recovery effort.

Rand says affordability was a central issue before the storm with nearly 40% of renters paying more than 30% of their income for housing. Destruction of about 5,700 affordable rental units made the shortage more acute and led to a 20% increase in rents for remaining units.

The study is sponsored by the Mississippi Assn. of Realtors, Nat'l Assn. of Realtors and Oxfam America, a non-profit fighting global poverty.

Housing Trust Fund Starvation Looms

Wisconsin: Milwaukee Mayor Tom Barrett says he will recommend infusion of \$400,000 into the city's affordable housing trust fund in Milwaukee's proposed FY 2008 budget.

The proposal draws fire from an affordable housing coalition which was expecting \$2 million. The group mounts a protest drive to get the mayor to increase funding.

Barrett says his move is a response to failure of the trust fund to spend money this year. The fund, created in 2006, was funded with \$2.5 million in general obligation bonds with the stipulation it should be matched dollar for dollar. The match didn't materialize.

Affordable Housing Panel Established

Hawaii: Gov. Linda Lingle (R) organizes the Affordable Housing Regulatory Barriers Task Force to identify regulatory barriers to housing for low- to moderate-income families.

The panel will sort out government regulations, practice or policies significantly increasing the time and cost of providing affordable housing, Lingle says.

BUDGET

Stopgap Spending Through Nov. 16

As *HAL* told you it would, Congress decides to delay FY 2008 domestic spending and rely on FY 2007 appropriations levels to finance government operations through Nov.

The continuing resolution adopted to prevent a government shutdown would cut into extra financial aid cities were anticipating, thereby provoking NLC ire.

The House-passed FY 2008 HUD spending proposal contains \$3.9 billion for CDBG formula grants, \$228 million more than allocated in FY 2007, to be distributed among 1,180 municipalities.

Indianapolis Mayor Peterson contends the stopgap spending law will further cut into CDBG funding which is well below the program's 2001 funding level after efforts by the Bush administration to shift CDBG's emphasis away from general revenue sharing to aid to poverty areas.

HUD

HUD, IRS In Tax Incentive Webcast

HUD and the Internal Revenue Service team up for a Oct. 11, 2 pm-4 pm EST, Webcast to provide an overview of tax incentives for Renewal Communities & Empowerment Zones.

A panel of IRS experts will have updates on changes to the incentives, covering employment credits, work opportunity tax credits, commercial revitalization deductions, increased Sec. 179 deductions, and other incentives.

Register by Oct. 5 at OCRTaxCredit@hud.gov. Real-Player is necessary to view the Webcast and the free software can be downloaded from www.hud.gov/webcasts/schedule.

Housing Book By Two Ex-HUD Chiefs

Former HUD Secys. Jack Kemp and Henry Cisneros call for new strategies for urban housing in their new book, *Our Communities, Our Homes: Pathways to Housing & Homeownership in America's Cities & States*.

The pair select New York City to unveil the book, citing that city's "New Housing Marketplace Plan" as a model of successful housing policy. The 10-year, \$7.5 billion plan targets affordable housing for 500,000 families.

likeness won't be among them—it will be closeted until he departs for the private sector.

There had been a major question among HUD rank-and-file about the reason for the rush to complete the portraits—even the artist, Daniel Mark Duffy (*HAL*, 9/14p4), wondered about the haste.

Now we know. HUD insiders tell *HAL* Jackson insisted on completion of the portraits of him and his predecessors—Mel Martinez, Andrew Cuomo, Henry Cisneros and Jack Kemp—to coincide with the opening of the cafetorium (cafeteria, fast-food stalls and auditorium) so it could be turned into a gala with all present for the unveilings.

HAL hears some grumbling, though. The cafetorium at \$7.8 million is almost \$2 million above original estimates and the portraits are a late addition to the \$350,000 cost of the new furniture, all at a time when HUD/housing programs face severe budget cuts.

HUD Opera For Public Housing Tenants

Somewhere in the bowels of HUD headquarters, a planner recently determined that classic opera would be an ideal social tonic for public housing tenants, particularly youth.

Thus was born HUD's new opera telecast effort with the Washington Nat'l Opera, beamed to people living in public and assisted housing across the country.

HUD's publicity machine describes the effort as an attempt to introduce opera and all of its employment opportunities to young people.

The cost for the first telecast—a performance of Puccini's "La Boheme"—is \$5,410 to beam the story of tragic love set in 1830 bohemian Paris to eight public housing complexes.

It prompts government watchdog group Citizens Against Government Waste to call it "La Behemoth," a prelude to a new annually-funded HUD program.

Jackson Celebrates Starbucks Opening

Illinois: HUD Secy. Alphonso Jackson jets here to be on hand for the grand opening of a new Starbucks coffee shop in the largely public housing section of South Chicago.

The reason given to *HAL* by HUD's publicity machine for Jackson's appearance at what normally is a local newspaper and photo event given is Starbucks Chairman Howard Schultz formerly lived in subsidized public housing in Brooklyn.

Another reason sources tell *HAL* is Jackson lends his celebrity status to Magic Johnson's Development Corp. The former basketball star's business owns nine Starbucks and helps redevelop blighted urban areas.

HEARD AT HUD

Portraits To Gaze On HUD Diners

When HUD headquarters employees and others enter the new multimillion dollar cafetorium soon, they will be greeted with \$100,000 worth of portraits of the most recent HUD major domos.

By tradition, HUD Secy. Alphonso Jackson's \$20,000

City Watch 10-1-07

Affordable Housing Debate - Crusader Zev: This is Wolf in Sheep's Clothing

(Yaroslavsky continues crusade in this David Zahniser & Steve Hymon report excerpted from the LA Times)

Los Angeles County Supervisor Zev Yaroslavsky on Wednesday called on Mayor Antonio Villaraigosa to rework a proposal that would lift the city's limits on height, density or other planning rules for residential construction projects that have as little as one affordable housing unit.

Yaroslavsky said the proposed ordinance, in its current form, would spark a wave of demolitions in neighborhoods across the city -- with pricey, multi-story housing developments replacing smaller, rent-controlled apartments.

The proposal, which is scheduled for consideration by the council's planning committee next week, would apply to buildings that designate as affordable as little as 5% of the total units in a project.

"This is a wolf in sheep's clothing," he said. "There's a lot of talk about affordable housing, when as many as 95% of [the units] will be market rate.

"And for the number of units they do build, they get to build a bigger project, a taller project, and in the process you've displaced people who were living in more affordable units to begin with."

In a letter sent this week, Yaroslavsky offered a counterproposal, saying that unless changes are made, voters would refuse to support future affordable-housing bond measures. Villaraigosa has talked about pushing a successor to Proposition H, the \$1-billion housing bond that fell shy of two-thirds approval last year.

Villaraigosa said Wednesday that he had not seen the letter but predicted that an accord could be reached with the supervisor, who also is a former councilman. Councilwoman Jan Perry voiced doubts, however, saying Yaroslavsky's counterproposal would keep affordable housing out of affluent neighborhoods while concentrating subsidized units in poorer ones.

"In order to alleviate our housing crisis, we have to build affordable housing in every neighborhood, and right now that's not happening," she said. (Read the rest of the Zahniser/Hymon LA Times story [here](#) .)

Monday, October 1, 2007, Antelope Valley Press

Officials float rejecting new housing tract

By JAMES RUFUS KOREN
Valley Press Staff Writer

LOS ANGELES — With California Aqueduct water supplies in question because of a court ruling over an endangered fish, Los Angeles County water officials have proposed refusing to allow construction of a 650-home tract in west Lancaster.

County supervisors will be asked Tuesday to approve a report showing there is an inadequate water supply for a 160-acre tract proposed near Avenue J and 70th Street West.

The Antelope Valley-East Kern Water Agency cannot guarantee water from the State Water Project will be available for the new tract, according to the report from Los Angeles County Waterworks District No. 40, which supplies much of Lancaster and west Palmdale as well as other parts of the Antelope Valley.

The trouble stems from a U.S. District Court action that protects the delta smelt, an endangered fish species that has been hurt by water pumps in the Sacramento-San Joaquin River Delta — the source of the water that flows down the California Aqueduct to Southern California.

"While state and local water agencies are still analyzing the

court ruling, the decision might result in a significant reduction in water supplies from the State Water Project to AVEK and other State Water Project contractors," the report said. "As AVEK is currently unable to assure the (Waterworks) District of the availability of State Water Project water supplies ... the District is unable to conclude that sufficient future water supplies are available for this project."

According to the report, the 650-home tract would create demand for 780 acre-feet of water per year. A single acre-foot is 325,851 gallons.

Supervisors face the decision against a backdrop of controversy over the Valley water supply's ability to support population growth. With last winter the driest on record for Southern California, coupled with the delta smelt court decision, AVEK officials have warned that local supplies from the California Aqueduct might be cut back drastically if next winter is dry.

Waterworks officials have not ordered their customers in Lancaster or elsewhere to reduce water consumption, but Palmdale Water District officials last month told customers to stop hosing down sidewalks and to take other conservation measures. District officials had contemplated ordering a 30%

reduction in water use, but shelved that plan after city officials accused them of failing to prepare for an emergency and of engaging in scare tactics.

This is the second time the Waterworks District has said there is not enough water for new developments in the Valley.

In July 2004, the district stopped issuing new "will-serve" letters — documents that say the district will supply water — to proposed housing tracts. The waterworks district never officially refused water service, but it had sent letters saying water might not be available.

That dispute was settled in December 2004 when the waterworks district and AVEK struck a deal that required AVEK to provide District No. 40, which covers most of Lancaster and Palmdale, with a set percentage of its water supply. The deal also increased fees paid by developers to enhance the Valley's water system.

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tion requires a long-term commitment to the provision of housing assistance, the report says, since substantial improvement in the clients' mental and substance abuse problems can take years.

("The Applicability of Housing First Models to Homeless Persons with Serious Mental Illness" is available at www.huduser.org.)

AFFORDABLE HOUSING

Los Angeles Mayor Approves Downtown Inclusionary Zoning

Los Angeles Mayor Antonio R. Villaraigosa has signed an inclusionary zoning ordinance creating a greater downtown housing incentive area providing a 35 percent increase in total floor area and other incentives for residential and mixed-use buildings, including apartment hotels, that set aside a percentage of units for low- to moderate-income households.

The changes to the municipal code are meant to encourage the production of mid- and high-rise residential projects in the downtown redevelopment area, which is near mass transit. A city planning department report said the ordinance would result in the production of more housing than would otherwise be permitted and help lessen the effects of a "housing shortage crisis."

To qualify for the density bonus, a building must set aside 5 percent of the total dwelling units for very-low-income households and either 10 percent for low-income households, 15 percent for moderate-income households,

or 20 percent for workforce income households, defined as those up to 150 percent of the area median income (AMI).

The minimum low-income affordability requirement on rental units is 30 years, while for-sale housing will have a covenant acceptable to the city housing department consistent with state law.

Open Space Requirements

In addition, the open space requirements for all dwelling units in an inclusionary zoning building will be reduced by one-half, provided that an in-lieu fee is paid to a trust fund for the city recreation and parks department.

No parking space will be required for dwelling units or hotel guest rooms dedicated to or set aside for households with incomes below 50 percent of AMI. In addition, no more than one parking space, including guest parking, will be required for each housing unit.

The ordinance also makes zoning changes in the central city area to promote denser construction of housing units. The allowable floor area of a residential building will be computed based on the lot area and any land set aside for streets. Other residential projects must disregard areas dedicated for streets in this calculation.

The ordinance also no longer distinguishes between private and common open space for downtown residential development. The city staff said that requiring percentage set-asides of private and common space has proven unworkable in more urbanized areas. Also in the housing incentive area, there would be no yard or setback requirements.

COURTS

SECTION 8



Owners Can't Terminate Vouchers Of Tenants Protected by Los Angeles Rent Stabilization Ordinance

Apartment owners can't terminate the Section 8 housing choice vouchers of tenants protected by the Los Angeles Rent Stabilization Ordinance (LARSO), the U.S. District Court for Central California, Western Division, ruled, invalidating HUD rules allowing termination by owners who want to raise rents. (*Barrientos v. 1801-1825 Morton, LLC*, CV 06-6437 ABC (FMOx), September 10, 2007)

The court also ruled that enhanced vouchers cannot be terminated because of the voucher holders' explicit right to remain in their current housing with no increase in out-of-pocket rent payments.

The plaintiffs in this case are 22 tenants of Morton Gardens, a 66-unit Los Angeles project developed under the Section 236 program whose mortgage was prepaid in 1998. As a result of the prepayment, 16 of the plaintiffs have enhanced vouchers under Section 8(t) of the U.S. Housing Act of 1937, 42 U.S.C. Section 1437f(t), while six have housing choice vouchers under Section 8(o).

Termination Notice

Section 8(o)(7)(C) provides that a Section 8 voucher tenancy cannot be terminated during the term of the lease except for serious lease violations, violations of law, or "other good cause."

HUD regulations, 24 C.F.R. Section 982.310(d)(iv), define "other good cause" to include a business or economic reason, such as the desire to lease the unit at a higher rent.

In March 2006, the defendant owner, 1801-1825 Morton, LLC, served on each plaintiff a notice of withdrawal from the Section 8 program and change in the terms of tenancy, notifying the tenants of its intent to terminate the housing assistance payments (HAP) contracts and charge the full market rent for their apartments.

Following objections from the Housing Authority of the City of Los Angeles and the Los Angeles Housing Department, the defendant rescinded the March notices, but also served a 90-day notice to terminate tenancy, citing Section 982.310(d)(iv) as grounds for termination.

However, the Morton Garden units are also subject to the LARSO, which limits evictions to 12 grounds, none of which includes the desire to obtain a higher rent.

Accordingly, the court explained, "[t]he question — which has yet to be considered by any court — is whether the LARSO eviction controls must give way to the Section 8 eviction provisions."

Enhanced Vouchers

The court first considered the status of the tenants with enhanced vouchers.

Section 8(t) provides that enhanced vouchers are treated as housing choice vouchers under Section 8(o), except that enhanced voucher holders may elect to remain in the same project in which they were residing at the time of the eligibility event (in this case, the prepayment), with Section 8 assistance covering any increase in rent.

The court agreed with the enhanced-voucher plaintiffs that the language in Section 8(t) creates a right for assisted families to remain in the same project, but it also found that this right doesn't insulate them from eviction for good cause, as provided in subsection (o)(7).

"The Court cannot expand enhanced-voucher tenants' right to remain to prevent 'other good cause' evictions without also preventing evictions on the other two grounds in subsection (o)(7)," the court explained, "since these grounds are all contained in the same subsection, and nothing in any part of Section 8 suggests that they could or should be divided in this way."

Noting the congressional interest in encouraging owner participation in Section 8, the court found no indication that Congress intended to shield enhanced-voucher tenants from all evictions under subsection (o)(7).

"Interpreting subsection (t) as creating tenancies insulated from eviction for any reason would erect a nearly insurmountable barrier to voluntary owner participation and would undercut the explicit intent of Congress," the court concluded.

Other Good Cause

However, the court added, while enhanced-voucher tenants are subject to eviction for other good cause under subsection (o)(7), they cannot be evicted to allow the owner to raise rents, as provided in Section 982.310(d)(iv).

In making that determination, the court explained that "the language and history of subsection (t) unambiguously provide enhanced-voucher tenants a right to remain in tenancy when the rent is raised...."

Accordingly, the court said, the HUD regulation permitting evictions in order to obtain higher rentals cannot be enforced against enhanced-voucher tenants.

Housing Choice Vouchers

Since holders of housing choice vouchers don't have the same protections as enhanced-voucher holders, the court said, the issue for those six plaintiffs is whether Section 8(o)(7) and Section 982.310(d)(iv) preempt the 12 grounds for eviction permitted by the LARSO.

The specific issue, the court noted, is conflict preemption, with the defendant arguing that the LARSO presents an obstacle to the implementation of federal law.

The court agreed that there is a conflict between the

HUD regulation and the LARSO because the former, but not the latter, allows evictions in order to obtain higher rents.

Conflicting Policies

The next step, the court said, is to determine whether HUD's regulation represents a "reasonable accommodation" of conflicting policies.

Since Congress was silent on the meaning of other good cause for evictions, the court said, the only issue, under the Supreme Court ruling in *Chevron, U.S.A., Inc. v. Natural Resources Defense Council, Inc.*, 467 U.S. 837 (1984), is whether HUD's definition of other good cause is "reasonable" or "arbitrary, capricious, or manifestly contrary to the statute."

The court agreed with the defendant that HUD's definition is generally a reasonable accommodation of the conflicting policies of protecting tenants from arbitrary eviction while encouraging owner participation in Section 8.

Limits on HUD Authority

However, the court added, HUD's authority to reconcile these policies is not unlimited.

"By defining 'other good cause' to include raising rents, HUD has favored the policy of owner participation to the complete exclusion of protecting tenants from arbitrary evictions," the court concluded. "This is an unreasonable interpretation of the 'other good cause' eviction provision in 42 U.S.C. Section 1437f(o)(7) that is manifestly contrary to the Section 8 statute."

While Congress indicated an intent to make Section 8 operate as much as possible like the unassisted rental market, the court said, HUD's regulation actually makes the two less alike, since assisted tenants would not have the LARSO protection against eviction in order to raise rents.

"Congress did not give HUD the power to undercut the precise purposes of Section 8 and, by defining 'other good cause' to include raising rents, HUD has exceeded its authority," the court concluded.

The court also rejected the defendant's argument that the eviction provisions of LARSO are preempted by the state vacancy decontrol statute, California Civil Code Section 1954.535.

Accordingly, the court granted the plaintiffs' motion for summary judgment.

FAIR HOUSING

Continuing Violation Doctrine Doesn't Apply to Failure to Make Housing Handicapped-Accessible

A claim that the design and construction of privately owned student housing violated the accessibility requirements of the Fair Housing Act was barred by the two-year statute of limitations, the U.S. District Court for Maryland ruled. (*Kuchmas v. Towson University, Civil Action*

No. RDB 06-3281, 2007 WL 2694186 (D.Md.), September 10, 2007)

Millennium Hall, which provides housing for Towson University students, was opened in 2000. Mark Kuchmas, a wheelchair-bound student, signed a lease for a unit on December 1, 2005, but when he toured the unit in January, he found portions were not accessible.

Kuchmas subsequently filed suit against PGAL Architects, Inc., the architects for Millennium Hall; the university; and other parties, alleging violations of the Fair Housing Act, the Americans with Disabilities Act (ADA), and the Rehabilitation Act of 1973.

In this ruling, the court considered PGAL's motion to dismiss and Towson University's motion to dismiss the fair housing claims.

Statute of Limitations

PGAL asserted that the plaintiff's design and construction claim was barred by the two-year statute of limitations in the Fair Housing Act.

In response, the plaintiff argued that the statute of limitations began running not when the building was completed and occupied but when he leased his apartment. Alternatively, he contended that the suit was timely under the continuing violation doctrine since Millennium Hall remains in violation of the Fair Housing Act.

The court explained that the precise issue presented by PGAL's motion to dismiss is the applicability of the statute of limitations to claims brought against an architect in the design of a non-compliant building.

The court noted that this issue was specifically addressed in *Moseke v. Miller & Smith, Inc.*, 202 F.Supp.2d 492 (E.D.Va. 2002). In *Moseke*, the U.S. District Court for the Eastern District of Virginia ruled that the existence of a non-compliant building is not a continuing violation of the Fair Housing Act and therefore claims brought against the developers and architects more than two years after completion of construction were time-barred.

Court Ruling

Agreeing with the court in *Moseke*, the court explained that Section 804(f)(3)(C) of the Fair Housing Act, 42 U.S.C. Section 3604(f)(3)(C), applies expressly to one form of discrimination, the failure to design and construct housing in a way that provides access for handicapped individuals.

"The statute of limitations provision would essentially be meaningless if the continuing violation doctrine were applied to claims asserted under that section," the court said, "because a company designing or constructing a non-compliant building could be subject to liability indefinitely."

Moreover, the court added, other sections of the Fair Housing Act provide remedies for an aggrieved person who attempts to buy or rent a non-compliant dwelling more than two years after construction.

The court also found that PGAL had no obligation to make a reasonable accommodation for the plaintiff's handicap since it had no continuing ownership or management role in Millennium Hall.

Accordingly, the court granted PGAL's motion to dismiss the Fair Housing Act Claims. It also dismissed the ADA claim against PGAL, finding that the ADA does not impose liability on architects for failing to design and construct buildings that are handicapped-accessible.

Eleventh Amendment

The court also granted the motion to dismiss the Fair Housing Act claims against Towson University, agreeing with Towson that as a branch of the Maryland state university system, it has immunity under the Eleventh Amendment.

The court noted that Section 3613 of the Fair Housing Act authorizes aggrieved persons to bring civil suits in state or federal court for injunctive or monetary relief, but doesn't specify who can be sued. The court noted, however, that the provision on attorney's fees and costs in Section 3613 says that "[t]he United States shall be liable for such fees and costs to the same extent as a private person."

The court said this section suggests that only the federal government and private persons can be liable in civil suits under the Fair Housing Act.

SECTION 8

Termination of Voucher Reversed Because Finding of Violent Criminal Activity Wasn't Supported by Record

The Minnesota Court of Appeals reversed the termination of a tenant's Section 8 voucher, holding that the hearing officer's finding of violent criminal activity was not supported by the record. (*Meyer v. Dakota County Community Development Agency*, No. A06-1290, 2007 WL 2703005 (Minn.App.), September 18, 2007)

After tenant-relator Karl Meyer allegedly sent two letters threatening attacks on a police station, his landlord terminated his lease, and the Dakota County Community Development Agency (CDA) informed Meyer that his voucher would also be terminated because the letters constituted a threat of violent criminal activity, in violation of federal regulations.

Meyer requested and received an informal hearing, where the CDA offered the police reports as evidence. In response to the allegations, Meyer noted that the police treated one of the letters as mental health-related.

In addition, he argued that substantial mitigating evidence, including his history of mental health problems, his ability to live in the community, and his willingness to obtain treatment, as indicated by his 10-year relationship with a psychiatrist, required leniency. The psychiatrist supported Meyer's testimony in a letter.

After reviewing the testimony and other evidence, the hearing officer concluded that the letters constituted a threat of physical harm to the police and that the CDA acted appropriately in terminating Meyer's Section 8 assistance. This appeal followed.

Court Ruling

HUD regulations, 24 C.F.R. Section 982.553, permit ter-

mination of Section 8 assistance for violent criminal activity by a tenant or household member, regardless of whether the tenant or household member has been arrested or convicted of such activity.

Accordingly, the court rejected Meyer's argument that his Section 8 benefits could not be terminated because he wasn't charged with a crime. It also rejected his contention that the CDA must identify a specific crime and that a threat of violence must be communicated directly to the targeted party.

The court noted, however, that HUD regulations, Section 982.553(c), require that the CDA prove by a preponderance of the evidence that Meyer engaged in violent criminal activity.

"Upon review of the record," the court added, "we conclude that there is insufficient evidence, as a matter of law, to satisfy that burden."

Termination Hearing

The court pointed out that the CDA did not produce the alleged letters or any witnesses at the termination hearing, relying instead on the brief police reports of the two incidents which stated that Meyer threatened to attack the police station.

While such a statement, if true, is a threat, the court said, "to constitute 'violent criminal activity,' it must appear reasonably likely that the threatened action will be consummated, or at least that it was reasonably capable of being carried out."

In this case, the court said, no evidence was presented at the hearing to show that either letter constituted a bona fide threat, and the evidence that was available indicates that the threats weren't credible. The court pointed out that no criminal charges were filed in either incident and that the district court found that Meyer did not constitute a threat to others or himself.

"We acknowledge that this is a close case," the court said. "But even assuming relator sent both letters, the CDA did not produce any evidence that the threat of harm was communicated in a manner that would cause a reasonable person to fear that relator would launch an attack. We reverse the termination of relator's Section 8 benefits."

FAIR HOUSING

Co-Op Owner's Claim for Lease Termination Is Dismissed by Court

A cooperative apartment owner's complaint that a lease termination violated the Fair Housing Act and the Americans with Disabilities Act (ADA) was dismissed by the U.S. District Court for the Eastern District of New York, which ruled that the claim was barred by *res judicata*. (*Springer v. Lincoln Shore Owners, Inc.*, No. 03-CV-4676 (FB)(KAM), 2007 WL 2403165 (E.D.N.Y.), August 16, 2007)

Lincoln Shore Owners, Inc., the owner of a co-op building, terminated the lease of apartment owner Barbara Springer because she violated her lease by making excessive noise. Although Springer, who lived in the apart-



PHADA Positions on Major Authorizing Legislation

10/3/07

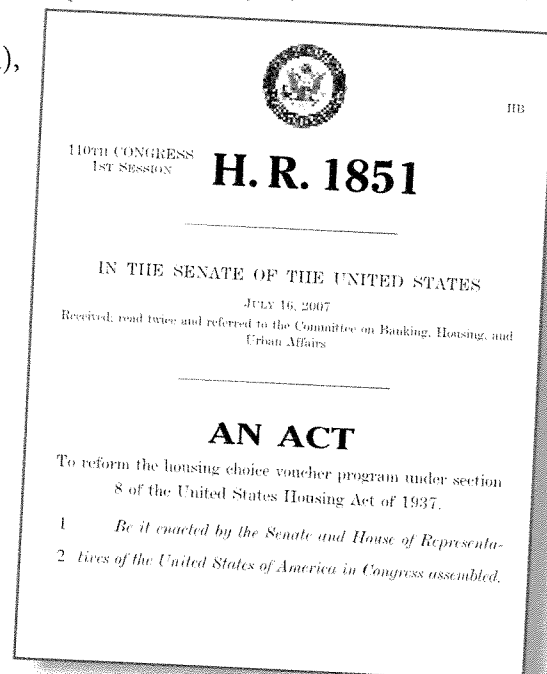
The Section 8 Voucher Reform Act of 2007 (SEVRA) (H.R. 1851)



Rep. Maxine Waters (D-CA)

Sponsored by Rep. Maxine Waters (D-CA), Chair of the House Subcommittee on Housing and Community Opportunity, SEVRA was reported by the House Financial Services Committee and passed in the House of Representatives by large bipartisan majorities. The bill includes a new Section 8 Voucher funding protocol based on costs and vouchers in use, simplifies a number of elements in calculating income and rent for deeply assisted housing programs, and includes a replacement for the Moving to Work demonstration for

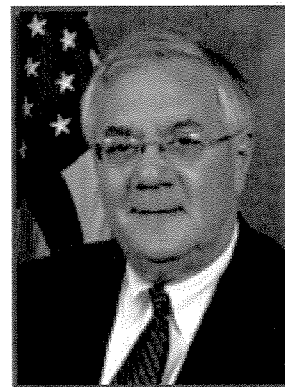
PHADA strongly supports SEVRA and urges the Senate to take action on the bill as quickly as possible.



80 HAs entitled the Housing Improvement Program (HIP). PHADA understands that the Senate Banking Committee has begun drafting a parallel bill for the Senate. That committee must take up consideration of the bill after its summer recess. Although it has concerns with some provisions of the bill, PHADA strongly supports SEVRA and urges the Senate to take action on the bill as quickly as possible.

National Affordable Housing Trust Fund Act of 2007 (H.R. 2895)

Rep. Barney Frank (D-MA), Chair of the House Financial Services Committee sponsored this bill to authorize creation of an Affordable Housing Trust Fund supported with financial resources drawn from Fannie Mae, Freddie Mac and FHA. Funds would be allocated to states, Indian Tribes and eligible local jurisdictions to support affordable housing development, with a match requirement of 30 percent from non federal government or private sector resources and 50 percent from federal resources. HAs, as well as other units of government and private sector nonprofit organizations are eligible users of funds that would be available through the fund. The bill has been reported by the House Financial Services Committee and awaits action by the full House of Representatives.



Rep. Barney Frank (D-MA)

- **PHADA supports establishment of a national affordable housing trust fund.**

HOPE VI Reauthorization and Improvement Act of 2007 (S. 829 and H.R. 3126)

10/3/07

Sen. Barbara Mikulski (D-MD) has reintroduced her HOPE VI reauthorization bill that would authorize annual appropriations of \$600 million through 2013 and would require linkages between neighborhood revitalization and the improvement of neighborhood schools. The bill must be considered by the Senate Banking Committee. Rep. Maxine Waters introduced a similarly named bill, but PHADA understands that the House reauthorization bill will undergo substantial modification before consideration by the House Subcommittee on Housing and Community Opportunity.

- **PHADA supports reauthorization of HOPE VI for more than 1 year, has some concerns with Mikulski's requirement for linkages with school improvements, and awaits changes to Rep. Waters' version of the reauthorization.**
-

Small Public Housing Authority Act (H.R. 3067)

Small Public Housing Authorities Paperwork Reduction Act (S. 809)



Sen. John Sununu (R-NH)

The House bill, introduced by Rep. Randy Neugebauer (R-TX) and the Senate bill, introduced by Sen. John Sununu (R-NH) have similar titles but different provisions. The House bill would exempt non-troubled agencies with fewer than 251 public housing units and Housing Choice Vouchers combined from submitting an Annual Plan to HUD. These agencies would still submit a civil rights certification. The Senate bill would exempt agencies with 500 or fewer public housing units from the submission requirement regardless of the size of their Housing Choice Voucher program. Sen. Sununu's bill awaits consideration by the Senate Banking Committee, while Rep. Neugebauer's bill has passed in the House and referred to the Senate Banking Committee.

- **PHADA has endorsed the Senate version of this bill.**
-

Public Housing Tenants Respect Act of 2007 (H.R. 458)

Rep. Charles Rangel (D-NY) has introduced a bill that would repeal community service and family self sufficiency requirements in the public housing program. Unfortunately, the failure of an effort to prevent implementation of the community services requirement in the 2008 House Appropriations bill covering HUD does not bode favorably for Rangel's proposal.

- **PHADA supports elimination of the community services requirement for public housing residents.**
-

10/3/07

Affordable Housing Expansion and Public Safety Act (S. 427) Public Housing Drug Elimination Program Reauthorization Act of 2007 (H.R. 174)

Sen. Russell Feingold (D-WI) reintroduced his proposal to reauthorize and expand the eligibility for the Public Housing Drug Elimination Program (renamed The Public and Assisted Housing Crime and Drug Elimination Program). In addition, the bill authorizes an additional 100,000 Housing Choice Vouchers in 2008, expands the HOME program for housing targeted to extremely low income households, and it authorize \$400 million for that expansion. In the House, Rep. Barbara Lee (D-CA) introduced a straightforward 3 year PHDEP reauthorization without expanding eligibility or authorizing additional Housing Choice Vouchers. Both bills await consideration by committees in the Senate and in the House.

- **PHADA strongly supports reauthorization of PHDEP and urges Congress to take action on each bill and reconcile differences between House and Senate versions.**
-

Moving to Work Charter Program Act of 2007 (S. 788)

Sen. John Sununu (R-NH) reintroduced his proposal to replace the MTW demonstration authorization with permanent authorization for up to 250 MTW agencies. The bill avoids the complexities of the HIP proposal in SEVRA.

- **PHADA endorsed the MTW Charter Program Act as introduced in the last session of Congress in 2006.**
-

Public Housing Asset Management Improvement Act of 2007 (H.R. 3521)

Rep. Albio Sires (D-NJ) introduced a bill designed to correct major flaws in HUD's asset management implementation plans. The bill includes four critical provisions which will greatly improve HUD's implementation of asset management.

1. Prohibit restrictions on uses of Capital Fund resources in Central Office Cost Centers beyond those already in the Capital Fund program,
2. Prohibit HUD from finding non-stop-loss agencies' management and related fees unreasonable until publication of final rules in 2011,
3. Require HUD to undertake negotiated rule making concerning fees in 2009,
4. Exempt non-stop-loss agencies with 500 public housing units or fewer from asset management requirements.

- **PHADA assisted in the development of this bill and strongly supports it.**
-

releases on his every move.

The proposal would require all mortgage originators to register with a national registry to ensure they have not been convicted or prosecuted for mortgage fraud.

GSEs

FHLMC Portfolio Surges

Freddie Mac says its investment portfolio increased at its fastest pace since December 2005, with monthly volume growing 19.3% to \$732.2 billion.

FHLMC's holdings rose for the fourth straight month, with its year's growth to date at an annualized 6%.

The second largest mortgage firm, after sibling Fannie Mae, would have surpassed its \$724 billion portfolio cap if its regulator, the Office of Federal Housing Enterprise Oversight, had not relaxed the ceiling to allow both government-sponsored enterprises (GSEs) to purchase more mortgages. FNMA and FHLMC portfolio ceilings have been increased to \$735 billion.

FNMA's portfolio dropped to \$728.9 billion from \$729.8 billion during the same period, giving the GSE a \$6 billion liquidity leverage to purchase mortgages.



PUBLIC HOUSING

Skepticism Reigns Over HUD Intentions

A two-month HUD organized public housing policy brainstorming initiative ends with the public housing industry wondering if the exercise was little more than a charade for the benefit of lawmakers.

Advocates wonder if the results of the 13 focus groups involving about 300 people from a cross-section of public housing responsibilities and concluding with 12 reports consisting of 189 pages and about 300 recommendations for a smoother transition to asset management of public housing properties will end up on a shelf gathering dust.

Insiders tell *HAL* advocates have a reason to be concerned, considering HUD's track record of deception, particularly over the formulation and implementation of the new operating fund formula.

The concern runs so deep, it prompted the Public Housing Authorities Directors Assn. (PHADA) to send HUD Asst. Secy. for Public & Indian Housing Orlando Cabrera a two-page letter expressing such concerns.

In one instance, PHADA questions HUD's intentions to respond to the recommendations and specifically asks Cabrera to ensure responses to each of the recommendations within 60 days.

Public Housing Policy Criticized

Maryland: The Baltimore Housing Authority (BHA) has done little to replace public housing units it has demolished over the last 15 years, says a critical report from the Abell Foundation.

The number of occupied public housing units has dropped 42% in the past 15 years—from 16,525 to 9,625—with virtually no plans to replace the deteriorated units being razed or sold, says the foundation, created by Baltimore's Abell family, which once owned the *Baltimore Sun*, the city's only surviving daily newspaper.

The report, *The Dismantling of Baltimore's Public Housing*, accuses BHA of putting its financial resources into demolition, with intention to raze 2,400 more units from its inventory.

BHA plans to spend almost twice as much on demolition, \$24 million, as it will spend on redevelopment, \$14 million, in 2007 and 2008, the report says.

A BHA response points to diminishing federal subsidies and the challenge it poses to public housing agencies, saying its subsidies have dropped 33% from 1999 to 2006.

BHA has been emerging from a long federal court battle, where it had been accused of concentrating public housing in Baltimore's inner city, consequently promoting racial segregation.

The fight placed BHA in a no-win position, forced to raze deteriorated public housing starved financially by cuts in spending for renovation, and forced on the other hand to find Sec. 8 housing in a city already short of affordable housing and suburbs unwilling to accept housing vouchers.

The report doesn't address the court battle, other than to recommend that the state pass a fair-housing law requiring landlords to accept Sec. 8 vouchers.

HUD Gets Control Of PHA

Florida: Miami/Dade County commissioners capitulate after a several-month fight, giving HUD control of the Miami/Dade Housing Authority (MDHA).

The deal approved by commissioners must be approved by HUD and the Justice Dept. It would give HUD control of day-to-day operations for nine months. Miami/Dade would not regain control until the government develops a solid plan for future MDHA operation.

HUD moved to take control of MDHA after disclosures the housing agency mismanaged millions of dollars of contracts with developers.

Miami/Dade Mayor Carlos Alvarez, who threatened to fight the takeover in federal court, concedes the plan is the only solution. Without it, he says, HUD could control MDHA indefinitely.

* Atlanta Tightens Work Rule

Georgia: Atlanta Housing Authority (AHA) officials insist about 20 families holding eviction orders are being ousted for failure to pay their rent.

The tenants insist they're being kicked out for failure to comply with AHA work rules.

AHA contends a judge ruled the tenants failed to pay their rent, with families up to four months delinquent. The ruling, AHA says, gives the public housing authority the justification to evict.

The Quality Housing & Work Responsibility Act of 1998 (QHWRA) requires able public housing tenants to work at least 30 hours a week or attend school. Elderly and disabled tenants are exempt.

HUD ignored the law for about four years but began enforcing it in 2004

Money Released For Public Housing

California: San Francisco officials release \$3.5 million to Mayor Gavin Newsom (D) to help rebuild eight deteriorating public housing complexes in the southeast part of the city.

The money is released following the departure of San Francisco Housing Authority (SFHA) executive director Greg Fortner. Newsom names City Administrator Ed Lee to head the transition team seeking a replacement for Fortner, the longest serving SFHA director in two decades who was pushed by Newsom to resign.

Newsom's plan, dubbed Hope SF, would rebuild 2,500 public housing units under SFHA authority. But city officials withhold \$1.5 million more, telling Newsom to develop a more substantial plan before they will release the balance.

The \$5 million is part of Newsom's FY 2007-2008 budget, designed to serve as a downpayment on \$95 million in bonds the city would float to rebuild two developments.

Of the initial \$3.5 million, \$1.5 million will be used to redevelop one of the complexes, Hunters View, while \$2 million will go toward immediate repairs to units across the city, including 210 boarded-up apartments so they can be reopened.

present vouchers, says a new study by the Center on Budget & Policy Priorities (CBPP).

The liberal think tank says the House passed HUD appropriations bill, HR 3074, would add the 55,000 losses to the 150,000 vouchers lost in the FY 2004-FY 2006 funding cycles because of cuts.

CBPP says the HR 3074 and Senate proposals are an improvement over President Bush's budget request but still fall short of needs. The administration proposal would fail to renew 80,000 vouchers.

* Final Fair Market Rent Schedule

HUD issues its final list of fair-market rent levels effective Oct. 1. The rents are used to determine payment standard amounts for the Sec. 8 housing voucher program as well as determine initial renewal rents for some expiring project-based Sec. 8 contracts and initial rents for housing assistance payment (HAP) contracts.

In addition, the FMRs serve as a rent ceiling for the HOME rental assistance program.

Info: www.cdpublications.com/docs/4200

HUD Wants Return Of HOME Money

Illinois: HUD tells Cook County officials to return at least \$115,000 in non-federal money to its own HOME Investment Partnerships Program and to initiate controls to save an additional \$153,000 in what the HUD inspector general considers improper use of program.

The county, in turn, is in the early stages of making improvements to ensure proper program procedures are followed.

Inspectors audited the flow of county HOME money to residents living in two projects, both of which were receiving housing rehabilitation assistance for owner-occupied, single-family residences.

The audit found the county provided more than \$100,000 improperly for two projects that HUD claims did not qualify as affordable housing. Also, the county lacked documentation to show how it had spent \$550,000 in nine eligible HOME projects.

HUD says Cook County should reimburse the HOME program for the \$100,000 and an additional \$15,000 it says the county used to cover excessive product delivery costs.

HUD urges the county to implement proper controls in an attempt to prevent the \$153,000 due the HOME program from being used in the next year. That number is based on an estimated annual improper use of HOME money, the report explains.

* ASSISTED HOUSING

Sec. 8 Faces Loss Of 55,000 Vouchers

Proposed FY 2008 appropriations for HUD's Sec. 8 housing voucher program would shortchange 55,000

Housing to hurt before healing

FORECAST: California Realtors see median price and sales drop in 2008 — but L.A. County is “holding on.”

By Gregory J. Wilcox
STAFF WRITER

California's median home price will fall for the first time in 12 years during 2008, but the months-long steep decline in sales should stabilize, according to a forecast released Wednesday.

Meanwhile, the same forces that are roiling the housing sector — tighter credit standards, affordability concerns and the stare-down between buyers and sellers — will remain in play in 2008, the California Association of Realtors said.

The association expects the statewide median price to fall 4 percent to \$553,000 in 2008 from a projected \$576,000 for this year.

That would be first time the median price fell on an annual basis since a 0.5 percent drop in 1996 and the biggest decline since a 4.5 percent slide in 1993.

The modest median price drops have now become common in many markets.

The last time the sales level fell below this year's estimate was in 1995, when sales totaled 342,540 units.

And sales last fell below the next year's forecast in 1985, with 328,270 units.

\$576,000

The projected median home price for 2007

\$553,000

What the California Association of Realtors expects the state median price to be in 2008 after falling 4 percent, completing the first annual median price drop since 1996

“Now is not the time for homeowners to test the waters; only serious sellers should put their homes on the market in what will continue to be a challenging sales environment,” association president Colleen

Badagliacco said.

She also said that sales could decline more steeply in 2008 if the liquidity crunch in the mortgage markets lasts longer than expected or if interest rates spike.

Price and sales declines will vary among markets, said Leslie Appleton-Young, the association's vice president and chief economist.

Here's a look at where prices were in August:

■ In Los Angeles County the median price reached

an all-time high of \$605,300 in August.

■ In Ventura County the median peaked at \$710,910 in August 2006 and declined 5.87 percent to \$699,870 this August.

■ In the High Desert, which includes the Antelope Valley, the median peaked at \$334,860 in August 2005, and fell 14.2 percent to \$287,390 this August.

More affordable regions, such as the Central Valley and Inland Empire, will experience greater softness in the resale market because lots of new homes came onto the market in recent years.

“Higher-priced regions of the state, such as the San Francisco Bay Area and parts of San Diego, Los Angeles and Orange counties will react more to affordability constraints,” she said.

And the highest-priced markets will show less strain.

Jack Kyser, vice president and chief economist at the Los Angeles County Economic Development Corp., said that the county is a collection of many markets that will produce a variety of sales and price patterns.

“(Overall) L.A. County is holding on. The economy is not doing that badly,” he said.

greg.wilcox@dailynews.com

wake of Hurricane Katrina in 2005. Completed earlier this year, the locator combines federal housing resources with those of several commercial apartment locators and housing Websites.

Homeowners would receive immediate foreclosure relief. Once the president declares a disaster, HUD would issue a 90-day moratorium on foreclosure and forbearance on foreclosures of FHA-insured home mortgages.

HUD's Sec. 203(h) program would provide FHA insurance to disaster victims who have lost their homes and face rebuilding or buying another home. Borrowers are eligible for 100% financing, including closing costs.

Info: HUD, 202/708-0980.

LOW-INCOME HOUSING

Sec. 8 Policy Reversal Mulled

Illinois: Champaign city council members will vote next week on a proposal to scrap a provision in city law requiring landlords to accept Sec. 8 housing voucher recipients.

Some council members contend the provision in the city's human rights ordinance banning discrimination against Sec. 8 voucher holders places an undue burden on landlords.

In March 2006, the council adopted the ban by defining Sec. 8 vouchers a "source of income." The ordinance prohibits discrimination based on source of income.

Federal law does not require landlords to accept Sec. 8 tenants. But some local governments have enacted the requirement.

A preliminary poll of council members shows the panel voting 6-3 in favor of a ban reversal.

PUBLIC HOUSING

HUD Ensures Enough Sec. 8 Aid

California: With assurance from HUD that San Diego will receive sufficient Sec. 8 vouchers to help pay rents of more than 1,350 families now living in public housing, officials bring the city's federally-financed public housing program to an end (*HAL*, 9/28p2).

As a result of the move, the San Diego Housing Commission becomes the fourth such agency in the country to sever federal ties over public housing. Requests from two other agencies are under HUD review.

The move allows San Diego, which owns all of its public housing free of debt, to borrow against the properties to build or purchase additional affordable housing in partnership with developers.

The city becomes the largest housing agency to make the

transition and is expected to be a model for the Bush administration effort to replace public housing with direct monetary rental assistance.

HOUSING FOR DISABLED

HIV Housing Aid For 31 Programs

HUD distributes \$32.1 million to 31 AIDS program in 21 states to provide HIV/AIDS victims with three years of permanent supportive housing.

The funding is part of HUD's Housing Opportunities for Persons With Aids (HOPWA), with \$27.3 million targeting projects and \$4.8 million focused on four new housing programs.

Combined the 31 programs are expected to leverage an additional \$41.8 million from other public and private sources.

Info: 202/708-0685

MILITARY HOUSING

Army Push On Housing

Realizing they must upgrade family facilities if soldiers intend to make a career in the military, Army leaders unveil a \$44 billion spending plan for facility upgrades.

At least \$10.5 billion will be spent on housing through 2011.

In addition, the Army is spending \$836.5 million of FY 2007 money for housing under a plan leveraging the money into a \$10.1 billion investment through private-sector partnerships.

The surge in housing is in anticipation of 70,000 new soldiers added to Army ranks soon.

OUTLOOK

Steeper Drop In Home Sales Seen

Despite a new projection showing a dramatic drop in existing home sales this year, the Nat'l Assn. of Realtors (NAR) sticks with its upbeat forecast of a better year in 2008.

NAR estimates in its revised forecast that existing home sales will drop 10.8% this year compared with 2006, a shift from the trade group's 0.6% forecast last February.

Sales of new homes are expected to fall 23%, the lowest level in 10 years, NAR says.

NAR's October report shows 5.78 million existing-home sales this year, down from 6.48 million in 2006. The



Carlos Jackson
Executive Director

**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office
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Gloria Molina
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Zev Yaroslavsky
Don Knabe
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ASSISTED HOUSING DIVISION

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October 17, 2007

Ms. K.J. Brockington, Director
Office of Public Housing
U.S. Department of Housing
And Urban Development
Los Angeles Field Office, Region IX
611 West 6th Street, Suite 1040
Los Angeles, CA 90017- 3101

FOR YOUR INFORMATION ONLY

RE: THE FAMILY SELF-SUFFICIENCY (FSS) PROGRAM

Dear Ms. Brockington:

The Family Self-Sufficiency (FSS) program is a HUD initiative intended to promote the development of local strategies to enable families both in public housing and the Housing Choice Voucher Program to achieve economic independence and self-sufficiency.

This report has previously been provided to the Housing Authority of the County of Los Angeles Housing Commissioners on a monthly basis. This report is now being provided to the HUD local field office and the Los Angeles County Board of Supervisors to keep all concerned parties abreast of the continuous efforts and accomplishments associated with this worthwhile program as part of the Corrective Action Plan.

FSS Program Update for September

- The Family Self Sufficiency staff continued its ongoing recruitment efforts, with a total of 10 new applicants, all of whom were eligible for the Family Self Sufficiency Program.
- The FSS Program currently has 371 active FSS participants and 175 have Escrow balances.
- Prepared 9 Contracts of Participation for a potential FSS participant.
- Enrolled 7 new participants in the FSS program.
- FSS staff continued to attend on-going training in Section 8 and FSS, posting procedures to better serve our participants.
- While attending Partnership/Marketing meetings at SASSFA and Hub Cities, WorkSource FSS staff conducted program presentation to all assembled partnered agencies.



Ms. KJ Brockington, HUD
October 17, 2007
Page 2

- Staff gave 7 Family Self Sufficiency mini-recruitment presentations and 1 Large Group presentation.
- Resource information on the WorkSource Network, Better Business Bureau information, Adult Education, and Job Fair information were disseminated during the recruitment efforts and case management activities.
- Staff referred 11 FSS applicants to WorkSource Centers resource for job search assistance and 7 FSS participants for job search and resume writing and review assistance.
- Staff issued 3 Credit Repair packets to FSS applicants and 7 packets to existing FSS participants during the month of September.
- Staff communicated with and assisted over 200 FSS participants with general Housing Choice Voucher questions, issues and supportive services information.
- Resource information for employment opportunities, budgeting, money saving tips and homeownership workshops were disseminated to 6 FSS participants and applicants during September appointments.
- Staff referred 3 Section 8 tenants to Operation Hope Home Ownership Program per the tenant's request.
- Staff referred 3 FSS participants to the CDC Home Ownership Program (HOP) per the tenant's request.
- Staff held two Family Self Sufficiency Graduation Ceremonies during the month of September.
- Staff received an additional two requests for Graduation from Program Participants.

Graduates

During the month of September, there were two graduates from the Family Self Sufficiency's Housing Choice Voucher Program. The total number of graduates to date is 178.

If you have any further questions, please feel free to call me at (562) 347-4837.

Sincerely,



MARGARITA LARES, Acting Director
Assisted Housing Division

ML:dt

c: Board of Supervisors
Housing Commissioners

Housing Authority - County of Los Angeles

FOR YOUR INFORMATION ONLY

October 1, 2007

To: Each Deputy

From: Carlos Jackson, Executive Director

SUBJECT: ASSISTED HOUSING DIVISION REORGANIZATION

This memorandum provides you with information of recent management changes I have made in the Assisted Housing Division, which oversees the Section 8 program. These changes were made to further refine our efforts to improve the overall performance of the program, and to assist us with the activities to be completed under the Corrective Action Plan.

Margarita Lares – Acting Director, Assisted Housing Division

Pat Jones – Manager, Quality Assurance and Public Liaison Unit

Darlene Aikens – Acting Manager, Management Services

Fia Phillips – Manager, Program Operations Unit

Basia Bednarska – Assistant Manager, Contract Maintenance

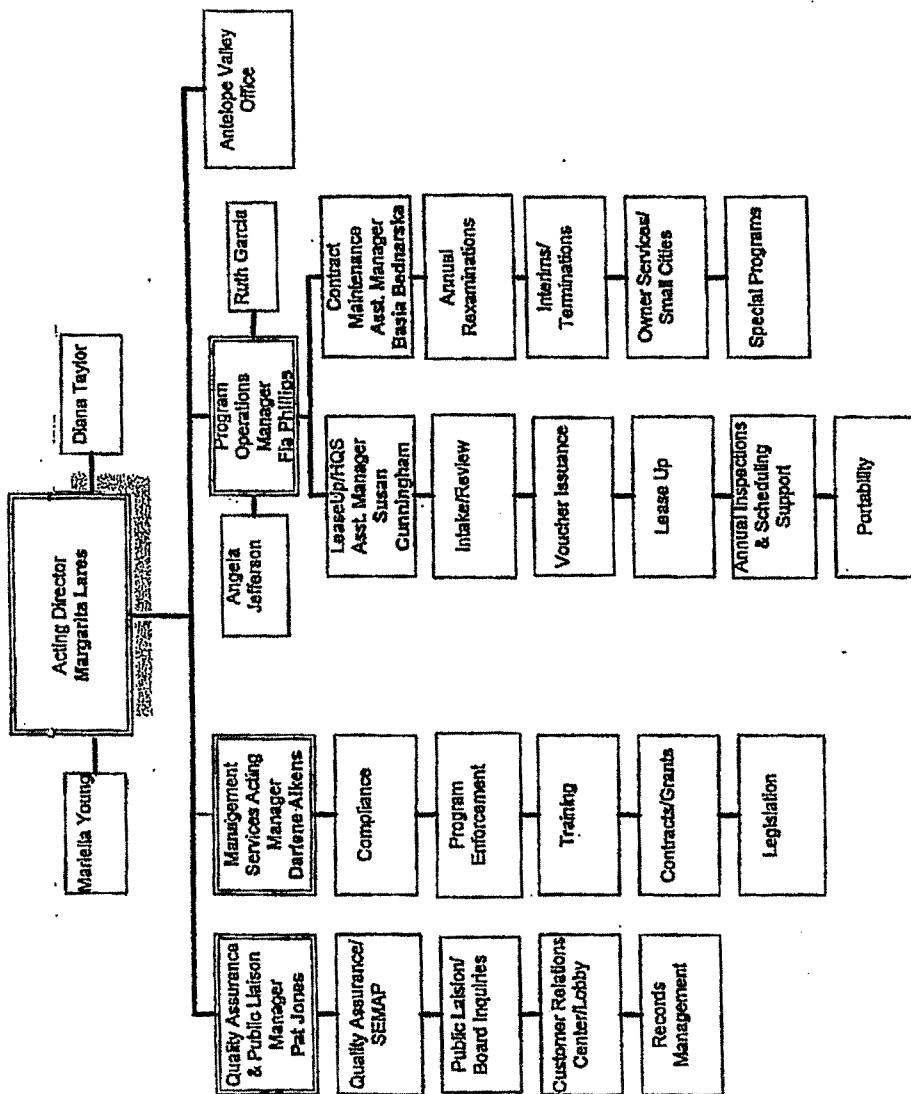
Susan Cunningham – Assistant Manager, Lease Up/HQS

The new organization chart is attached. The contact person for the Public Liaison Unit is now Diana Nicolaw. You may reach her at (562) 347-4850 (telephone number for your use only).

CJ:DA

Memos/Deputy Reorganization 2007

Attachment



Effective October 1, 2007

Housing Authority - County of Los Angeles

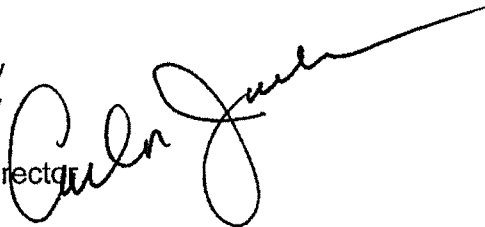
October 17, 2007

FOR YOUR INFORMATION ONLY

To: Michael D. Antonovich
Supervisor, 5th District

Attention: Norm Hickling, Senior Deputy
Paul Novak, Planning Deputy

From: Carlos Jackson, Executive Director



SUBJECT: SECTION 8 ANTELOPE VALLEY ACTIVITY REPORT

Attached is the Antelope Valley activity report for September 2007 for distribution to Lancaster and Palmdale. Please note that there was a delay in submitting this month's report due to a minor system adjustment made to improve data reporting. The next report is scheduled for Tuesday, November 13, 2007, which will reflect data for October 2007. If you have any further questions, please contact me at (323) 890-7400.

CJ:AR:dt
September 2007 AV report-a-cj.ar

Attachment

Housing Authority of the County of Los Angeles

Antelope Valley Section 8 Activity Report - Fiscal Year 2008

Report Year: JULY 2007 - JUNE 2008 Report Period: September 1 - 30, 2007

	LANCASTER		PALMDALE		*OTHER		AV TOTALS		SFS TOTAL	
HOUSING CONTRACTS	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
Total Contracts	n/a	1999	n/a	1079	n/a	74	n/a	3152	n/a	155
New Contracts	295	124	156	70	8	6	459	200	966	2
Net Transfers/Moves	4	(5)	(1)	3	(1)	0	2	(2)	(2)	
Close Out Contracts	(126)	(49)	(81)	(33)	(4)	(1)	(211)	(83)	(648)	(28)

Housing Contracts represent the number of assisted households. New Contracts represent new households to the program. Net Transfers/Moves represent existing households that have relocated to another area within the County's jurisdiction. Close Out Contracts include voluntary and involuntary terminations, and moves of assisted households out of the County's jurisdiction.

Contract Total		2069		1119		79		3267		154
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HOUSING QUALITY INSPECTIONS	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
Inspections Conducted	743	180	276	170	23	10	1042	360	7380	21
Inspections Passed	388	99	174	115	10	3	572	217	4263	11
Inspections Failed	223	61	52	27	7	4	282	92	2243	6
Pending Results/Inconclusive	132	20	50	28	6	3	188	51	874	2

Housing quality inspections assess the physical condition of the subsidized property, including initial, annual, and re-inspection activity. Housing quality inspections are conducted by Fraud Investigators.

Owner Non-Compliance/Abatement	10	2	5	1	0	0	15	3	53	
--------------------------------	----	---	---	---	---	---	----	---	----	--

Abatement is the withholding of payment to the owner for continued owner-related housing quality standards violations at the property.

RAUD HOTLINE CALLS	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
Calls Received	45	2	28	15	0	0	73	17	75	
-Referred For Investigation	21	1	16	8	0	0	37	9	36	
-Dismissed	24	1	12	7	0	0	36	8	45	

RAUD INVESTIGATIONS	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
Investigations Opened	101	25	88	24	0	0	189	49	149	
-Unfounded	9	1	4	3	0	0	13	4	13	
-Counseled	4	1	11	8	0	0	15	9	25	
-Referred For Termination	29	6	51	8	0	0	80	14	33	
-Pending Results	59	17	22	5	0	0	81	22	55	

Fraud Investigations are conducted by Housing Authority Investigators.

ADMINISTRATIVE INVESTIGATIONS	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
Administrative Reviews Opened	0	0	3	0	0	0	3	0	31	
-Referred For Investigation	0	0	0	0	0	0	0	0	0	
-Referred For Termination	0	0	0	0	0	0	0	0	4	

Administrative Reviews are program violation investigations conducted by administrative Analysts, and can result in terminations. Referrals come from staff, the public, and HUD. Cases are referred for Fraud Investigation as needed.

Staff Referrals	0	0	0	0	0	0	0	0	15	
QIS Inspector Referrals	0	0	0	0	0	0	0	0	0	

TERMINATION APPEALS (HEARINGS)	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
Hearings Requested	13	8	20	0	1	1	34	9	40	
Hearings To Be Scheduled	0	0	0	0	0	0	0	0	0	
Hearings Held	12	3	18	7	1	1	31	11	26	
Pending Results From Hearing Officer	3	3	6	6	1	1	10	10	0	
Terminations Overturned By Hearing Officer	2	0	1	1	0	0	3	1	5	

Assisted households can appeal the decision to terminate assistance and have their case heard before a contracted Hearing Officer. Termination Appeals represent HUD, administrative, and any other program related hearings. Not all terminations are appealed.

HOUSING ASSISTANCE TERMINATIONS	YTD	Period	YTD	Period	YTD	Period	YTD	Period	YTD	Period
HUD/Program Violation Terminations	17	6	28	14	0	0	45	20	26	

Other areas in Antelope Valley include Acton, Lake Los Angeles, Leona Valley, Little Rock, Llano, Pearblossom, and Quartz Hill.

Housing Authority - County of Los Angeles

October 17, 2007

To: Each Supervisor

From: Carlos Jackson, Executive Director

SUBJECT: MONTHLY PROGRESS REPORT ON THE SECTION 8 HOUSING PROGRAM

FOR YOUR INFORMATION ONLY

On March 13, 2007, your Board instructed me to report monthly on our progress to remove the Section 8 program from its "troubled" status, as rated by HUD's Section Eight Management Assessment Program (SEMAP). This report covers the period of September 18, 2007 - October 17, 2007 and provides information on the following:

- Corrective Action Plan (CAP) for FY 2005-2006 approved by your Board on August 21, 2007.
- HUD Advisor (The Nelrod Company)
- Current performance status
- Yardi System
- Office of Inspector General (OIG) audit

SEMAP

As I reported to your Board on August 21, 2007, we anticipate earning at least 90 points out of the possible 145 SEMAP points to receive a standard rating for FY 2006-2007. This is based on our self-assessment of SEMAP indicators 1 through 8, which was completed and submitted to HUD on August 6, 2007, and HUD's score from the online reporting system for June 30, 2007, on indicators 9 through 14. As indicated to your Board on August 28, 2007, the Section 8 program would be removed from "troubled" status only if HACoLA receives a SEMAP score of at least 87 points for FY 2006-2007 and completes the tasks listed in the executed CAP.

CAP

The second group of CAP items was submitted to HUD today, October 17, 2007, which reflects performance objectives completed through September 30, 2007.

The CAP requires that you receive formal training on the Housing Choice Voucher Program (Section 8). The Division has completed the procurement process to secure this training and certification. We are in the process of executing an Agreement with a training vendor that will accommodate your respective schedules. The Division will coordinate the training through your staff later this month as

training must be completed by November 12, 2007, in order to meet the CAP deadline.

The final CAP submission to HUD will be on November 17, 2007 and will cover all remaining performance objectives. (See Attachment A)

HUD Advisor On-Site

At the time of last month's report the HUD Advisor, the Nelrod Company, had recently arrived on site. In addition to completing the tasks outlined in HUD's task list, Nelrod will also provide assistance in the following areas:

1. Determination of Adjusted Income Performance
2. Lease-up
3. SEMAP Documentation for FY 07-08
4. Effective YARDI Implementation
5. Annual Re-examinations
6. Enforcement of Housing Quality Standards
7. Housing Quality Standards Annual Inspections

The Nelrod Company is reviewing our SEMAP to assist us in preparing for the upcoming on-site HUD confirmatory review. They have provided positive feedback on streamlining the annual reexamination process; recommendations on additional quality control measures that can be implemented; and alternative methods of documenting and tracking SEMAP performance.

FY 2007-2008 Performance Status

The following is the current performance status on the three most critical indicators for FY 2007-2008:

Annual Reexaminations (SEMAP Indicator #9) – We have completed 98.8% of the annual reexaminations that are due through October 1, 2007.

Annual Inspections (SEMAP Indicator #12) – We have completed 99.7% of the annual inspections that are due through October 1, 2007.

Lease-Up (SEMAP Indicator #13) – Our current lease-up rate is 91.2%, representing 18,896 assisted families throughout the County. We have 1,680 pending new contracts; 942 voucher holders are seeking housing; and we are concentrating on processing an additional 2,720 applications with the goal of turn-

Each Supervisor
October 17, 2007
Page 3

ing these into new contracts. Due to our continuing lease-up efforts, we remain on target to reach 95% lease-up by December 31, 2007.

Yardi System Implementation

On September 24, 2007, one week ahead of schedule, Phase I of the Yardi System implementation was completed. Implementing Phase I is a major accomplishment. Work has begun on Phase II, which is estimated to go live in April 2008.

Office of Inspector General Audit

HACoLA recently received a schedule of deficiencies, an explanation of the deficiencies and supporting documentation from the HUD Office of the Inspector General (OIG) audit of annual re-examination and tenant eligibility that has been underway throughout the past year. A total of 26 tenant files were reviewed by OIG. Staff has been instructed to correct all cited errors immediately. HACoLA will advise OIG of the corrective steps taken by October 23, 2007 via letter. OIG has informed HACoLA that its response will be included in the final audit report that will be issued in early November.

CJ:ML
Attachment

c: William T Fujioka, Chief Executive Officer
Sachi A. Hamai, Executive Officer/Clerk of the Board of Supervisors
Each Deputy
Los Angeles County Housing Commissioners

Corrective Action Plan

The process for closure of the CAP items is to prepare the back-up materials to support compliance with the particular issue, and, either send it or, if too voluminous, make sure that it is available to the HUD staff for review. HUD staff will review the submission and after all of the information is received, a confirmatory on-site conference will take place. At that time, a final decision will be made on closure of the issue.

CORRECTIVE ACTION PLAN TIMELINE			
<i>Management Area or Indicator</i>	<i>Submittal Date 9/17/07</i>	<i>Submittal Date 10/17/07</i>	<i>Submittal Date 11/17/07</i>
Governance			√
Organization and Staffing		√	
Finance			√
Procurement	√		
MIS	√		
Program Management		√	
Indicator 1 – Selection from the Waiting List		√	
Indicator 2 – Rent Reasonableness	√		
Indicator 3 – Determination of Adjusted Income			√
Indicator 4 – Utility Allowance Schedule	√		
Indicator 5 – HQS Quality Control Inspections	√		
Indicator 6 – HQS Enforcement			√
Indicator 7 – Expanding Housing Opportunities	√		
Indicator 8 – Payment Standards	√		
Indicator 9 – Annual Reexaminations			√
Indicator 10 – Correct Tenant Rent Calculations			√
Indicator 11 – Pre-contract Housing Quality Standards (HQS) Inspections	√		
Indicator 12 – Annual Housing Quality Standards Inspections			√
Indicator 13 – Lease-up			√
Indicator 14 – Family Self-Sufficiency (FSS)			√



**HOUSING AUTHORITY
of the County of Los Angeles**

Administrative Office

2 Coral Circle • Monterey Park, CA 91755

323.890.7001 • TTY: 323.838.7449 • www.lacdc.org



Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

October 24, 2007

Honorable Housing Commissioners
Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**CONCURRENCE OF THE BOARD OF SUPERVISORS/COMMISSIONERS ACTION
FOR THE HEALTH PLAN CHANGES (ALL DISTRICTS)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Concur with the Board of Commissioners approval authorizing the Executive Director to approve the proposed premium rates for group medical plans provided by Blue Cross of California Health Maintenance Organization (HMO) and Preferred Provider Option (PPO) and Kaiser Health Plan (Kaiser), to be effective January 1, 2008.
2. Concur with the Board of Commissioners approval of the Housing Authority's share of the combined payment for the employer-paid subsidy for the 2008 calendar year, with Blue Cross HMO and PPO, and Kaiser, at a total estimated cost of \$460,000.
3. Concur with the Board of Commissioners authorization for the Housing Authority to fund all health plan costs using funds included in the approved Fiscal Year 2007-2008 budget, and funds to be approved through the annual budget process for Fiscal Year 2008-2009, as needed.

PURPOSE/JUSTIFICATION OF THE RECOMMENDED ACTION:

The purpose of this action is to provide employees, during the 2008 calendar year, affordable health coverage that is comparable with plans offered to County employees. The current plans end on December 31, 2007.

FISCAL IMPACT/FINANCING:

For 2008, the minimum contribution under the Flexible Benefit Plan will increase to \$855 per month and to \$597 per month under the Optional Benefit Plan, at an additional cost of \$145,000. On October 11, 2005, the Executive Director was authorized to increase these contributions provided the amounts do not exceed the contributions for County employees.

The employer-paid subsidy is estimated at \$460,000 for January 1, 2008 through December 31, 2008.

The current Fiscal Year 2007-2008 budgets of the Housing Authority and Commission include funds for the proposed health plan changes through June 30, 2008. The next annual budget process will include funding for the remaining costs.

The Board of Commissioners of the Housing Authority and the Housing Commissioners must approve the plan changes because Housing Authority funds will be used to pay a portion of the benefits for Commission personnel performing Housing Authority functions.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Currently, employees covered by the Flexible Benefit Plan receive a Commission contribution expressed as a percentage of salary, but not less than a minimum "floor" contribution of \$830 per month. Employees covered by the Optional Benefit Plan receive \$572 per month. For 2008, the minimum contribution under the Flexible Benefit Plan will increase to \$855 per month and to \$597 per month under the Optional Benefit Plan, at an additional cost of \$145,000. On October 11, 2005, the Board of Commissioners delegated authority to the Executive Director to increase these contributions provided these amounts do not exceed the contributions provided to County employees. On September 11, 2007, the County approved an increase in contributions for 2008 of \$987 and \$735 under the MegaFlex and Flexible Benefit Plans, respectively.

Employees are currently provided with Blue Cross HMO, Blue Cross PPO, and Kaiser as employee medical plan options. During the month of September, the Commission's group insurance broker, Alliant Insurance Services, and the Commission evaluated these plans and the required cost increase for 2008.

Negotiations with Blue Cross resulted in a premium increase averaging 9.5%. Kaiser is requiring an increase of 19.5%. This premium adjustment is far greater than Kaiser's Southern California average of 9.1%. Kaiser did not provide clear supporting data to substantiate the adjustment for 2008, and was unwilling to entertain negotiations. Approximately 56% of Commission employees who are enrolled in this Plan will be impacted by this substantial increase. As a result of Kaiser's unwillingness to negotiate renewal rates, the Commission will review its continuing relationship with Kaiser for future policy years.

In an effort to assist employees with paying for medical insurance coverage, the Commission will continue to provide an employer-paid subsidy. This amount totaling approximately \$460,000 plus the amount contributed by each employee will fund the total cost of medical insurance for 2008.

The new monthly contribution for each medical plan is provided in Attachment A.

There will be no changes to the dental, vision, life and disability programs for 2008.

The Chief Executive Office and County Counsel have reviewed this letter. This letter was filed concurrently with the Board of Commissioners. The annual open enrollment period allowing Commission employees to enroll in their health plans for 2008 will begin on October 29, 2007. Commission employees must have at least a two-week period to enroll, so that new enrollment details can be submitted to the health plan providers during the month of November. Any delays will prevent the Commission from meeting the enrollment deadlines and contractual agreements with the health plan providers, which are due to expire on December 31, 2007.

ENVIRONMENTAL DOCUMENTATION:

This action is exempt from the provisions of the National Environmental Policy Act pursuant to 24 Code of Federal Regulations, Part 58, Section 58.34 (a)(3) because it involves administrative activities that will not have a physical impact on or result in any physical changes to the environment. The action is not subject to the provisions of the California Environmental Quality Act (CEQA) pursuant to State CEQA Guidelines 15060(c)(3) and 15378, because it is not defined as a project under CEQA and does not have the potential for causing a significant effect on the environment.

Honorable Housing Commissioners
October 24, 2007
Page 4

IMPACT ON CURRENT PROGRAM:

The recommended actions are consistent with the principle of promoting the well being of Commission employees and their families by offering comprehensive employee benefits.

Respectfully submitted,


for CARLOS JACKSON
Executive Director

Attachment

Attachment A

Monthly Employee Contribution for 2008*

Blue Cross HMO

Employee Only	\$275
Employee + One	\$548
Family	\$680

Blue Cross PPO

Employee Only	\$406
Employee + One	\$988
Family	\$1,322

Kaiser

Employee Only	\$345
Employee + One	\$636
Family	\$776

*Monthly employee contribution is the employee cost after the subsidy is applied to the actual plan cost.



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Gloria Molina
Yvonne Brathwaite Burke
Zev Yaroslavsky
Don Knabe
Michael D. Antonovich
Commissioners

Carlos Jackson
Executive Director

October 24, 2007

Honorable Housing Commissioners
Housing Authority of the County of Los Angeles
2 Coral Circle
Monterey Park, California 91755

Dear Commissioners:

**ADOPT RESOLUTIONS APPROVING ISSUANCE OF MULTIFAMILY HOUSING
MORTGAGE REVENUE BONDS FOR MULTIFAMILY HOUSING IN
UNINCORPORATED COVINA (4)**

IT IS RECOMMENDED THAT YOUR COMMISSION:

1. Recommend that the Board of Commissioners find that acting as the Responsible Agency pursuant to the California Environmental Quality Act (CEQA), certify that the Housing Authority has considered the determination made by the County of Los Angeles as Lead Agency, and find that the project will not cause a significant effect on the environment.
2. Recommend that the Board of Commissioners adopt and instruct the Chairman to sign a Resolution, provided as Attachment B, as required under Treasury Regulations, declaring an intent by Arrow Plaza KBS, L.P. (the Developer), a California Limited Partnership, to undertake bond financing in an amount not exceeding \$8,000,000, for the acquisition and rehabilitation of Arrow Plaza, a 64-unit multifamily rental housing development located at 20644 East Arrow Highway in unincorporated Covina, and ratifying the inducement resolution previously adopted by California Municipal Finance Authority (CMFA), attached as Exhibit 1 to Attachment B.
3. Recommend that the Board of Commissioners authorize the Executive Director of the Housing Authority to submit an application to the California Debt Limit Allocation Committee (CDLAC) for a private activity bond allocation in an aggregate amount not exceeding \$8,000,000 for the purposes described herein.



PURPOSE/JUSTIFICATION OF RECOMMENDED ACTION:

The purpose of this action is to approve the issuance of Multifamily Housing Mortgage Revenue Bonds in an aggregate amount not exceeding \$8,000,000, and to authorize the Executive Director of the Housing Authority to apply to CDLAC for a private activity bond allocation in the same amount, in order to finance acquisition and rehabilitation of 64 units, which include 63 affordable multifamily rental housing units and one manager's unit that will have no affordability requirements.

FISCAL IMPACT/FINANCING:

No County costs will be incurred. The Developer will pay all fees and related costs.

FACTS AND PROVISIONS/LEGAL REQUIREMENTS:

Arrow Plaza (the Project) is located at 20644 East Arrow Highway in unincorporated Covina, and consists of 64 one-bedroom apartments, including one manager's unit. The U.S. Department of Housing and Urban Development (HUD) currently provides Project-Based Rental Assistance (PBRA) under its Section 8 Program to all Project tenants, under a contract that expires on December 1, 2007. To receive PBRA, all tenants must have household incomes that do not exceed 50% of the Area Median Income (AMI). The Developer has requested a 20-year extension of the PBRA; however, even if an extension is approved, the PBRA is subject to annual renewals by HUD and may be cancelled in the future. There are no other affordability restrictions on the Project, and the units may convert to higher market rents if HUD terminates the PBRA.

However, the receipt of tax-exempt Bonds requires that the Project maintain affordability for 55 years, whether or not the PBRA continues. The Bond funding will require rent levels that are affordable for all tenants, with tenant incomes limited to 50% of AMI in 20% of the units (12 units) and 60% of AMI in the remaining units (51 units). The manager's unit will have no affordability requirements.

Adoption of the Resolution by the Board of Supervisors approving issuance of the bonds is required prior to submission of the Housing Authority's application to CDLAC for a private activity bond allocation. This action does not, however, authorize the issuance and sale of the bonds. The Housing Authority will return to the Board of Commissioners for this authorization at a later date.

Adoption of the Resolution by the Board of Commissioners of the Housing Authority announcing the intent to issue Multifamily Housing Mortgage Revenue Bonds is required to establish a base date after which costs incurred by the Developer may be included in the construction and permanent financing obtained pursuant to issuance of the tax-exempt bonds. The Resolutions are also required to complete the Housing Authority's application to CDLAC.

On October 5, 2007, the Housing Authority conducted a hearing, at its office located at 2 Coral Circle in the City of Monterey Park, regarding the issuance of multifamily bonds to finance the Project, pursuant to Section 147(f) of the Internal Revenue Code. No comments were received at the public hearing concerning the issuance of the bonds or nature and location of the Project.

The County has never been a member of California Municipal Finance Authority (CMFA) and does not intend to join CMFA, therefore, the Housing Authority approval, ratification and confirmation of the inducement resolution previously adopted by CMFA will integrate the CMFA resolutions into Housing Authority financing and establish the relevant period for the Developer's reimbursement from the bonds. Specifically, because the CMFA resolutions were adopted March 9, 2007, the Developer may be permitted to look to an earlier date with respect to reimbursements for costs incurred or amounts spent prior to the adoption of the Housing Authority resolutions.

The attached Resolutions were prepared by Hawkins Delafield and Wood, Housing Authority Bond Counsel, and approved as to form by County Counsel.

ENVIRONMENTAL DOCUMENTATION:

Pursuant to 24 Code of Federal Regulation, Part 58, Section 58.35 (a)(3)(ii), this project is excluded from the National Environmental Policy Act (NEPA), because it involves activities that will not alter existing environmental conditions. The project is exempt from the provisions of CEQA, pursuant to State CEQA Guidelines 15301, because it involves negligible or no expansion of use beyond what currently exists and does not have the potential for causing a significant effect on the environment.

IMPACT ON CURRENT PROJECT:

The proposed action is a necessary step to provide bond financing for the Project, which will retain the supply of affordable multifamily housing in the County with long-term affordability.

Honorable Housing Commissioners
October 24, 2007
Page 4

Respectfully submitted,


for CARLOS JACKSON
Executive Director

Attachments: 2

ATTACHMENT A

**RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES APPROVING THE ISSUANCE OF MULTIFAMILY HOUSING
REVENUE BONDS BY THE HOUSING AUTHORITY OF THE COUNTY OF
LOS ANGELES AND RELATED ACTIONS**

RESOLUTION OF THE BOARD OF SUPERVISORS OF THE COUNTY OF
LOS ANGELES APPROVING THE ISSUANCE OF MULTIFAMILY HOUSING
REVENUE BONDS BY THE HOUSING AUTHORITY OF THE COUNTY OF
LOS ANGELES AND RELATED ACTIONS

WHEREAS, the Housing Authority of the County of Los Angeles (the "Housing Authority") intends to adopt a plan of financing to sell and issue multifamily housing revenue bonds in one or more series issued from time to time, and at no time to exceed \$8,000,000 in aggregate principal amount (the "Bonds"), in order to assist in financing the acquisition and rehabilitation of several multifamily rental housing developments including 64 units located at 20644 East Arrow Highway in unincorporated Los Angeles County (the "Arrow Plaza Project"), to be owned by Arrow Plaza KBS, L.P., a California limited partnership (or an affiliate or assign); and

WHEREAS, the California Municipal Finance Authority previously adopted a resolution approving a plan of financing to sell and issue multifamily housing revenue bonds with respect to the Arrow Plaza Project, which resolution is hereby acknowledged, confirmed, ratified and incorporated by reference, except that such resolution erroneously referenced the Arrow Plaza Project as being located within the City of Covina rather than in unincorporated Covina; and

WHEREAS, pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code"), the Bonds are required to be approved prior to their issuance by the applicable elected representative of the governmental unit on whose behalf the bonds are expected to be issued and by each governmental unit having jurisdiction over the area in which any facility financed by such bonds is to be located, after a public hearing held following reasonable public notice; and

WHEREAS, the interest on the Bonds may qualify for exclusion from gross income under Section 103 of the Code only if the Bonds are approved in accordance with Section 147(f) of the Code; and

WHEREAS, the Arrow Plaza Project is located wholly within the County of Los Angeles, California (the "County"); and

WHEREAS, this Board of Supervisors of the County of Los Angeles (the "Board of Supervisors") is the elected legislative body of the County and is the applicable elected representative of the Housing Authority required to approve the issuance of the Bonds within the meaning of Section 147(f) of the Code; and

WHEREAS, pursuant to Section 147(f) of the Code, the Housing Authority has, following notice duly given, held a public hearing regarding the issuance of the Bonds on October 5, 2007, and now desires that the Board of Supervisors approve the issuance of the Bonds; and

WHEREAS, this Board of Supervisors hereby finds and declares that this Resolution is being adopted pursuant to the powers granted by law;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The above recitals, and each of them, are true and correct.
2. This Board of Supervisors hereby approves the issuance of the Bonds by the Housing Authority to finance costs of the Arrow Plaza Project. It is the purpose and intent of this Board of Supervisors that this Resolution constitutes approval of the Arrow Plaza Project and the plan of finance for the issuance of the Bonds for purposes of Section 147(f) of the Code.
3. The proper officers of the Housing Authority are hereby authorized and directed to take whatever further action relating to the aforesaid financial assistance that may be deemed reasonable and desirable; provided that the terms and conditions under which the Bonds are to be issued and sold shall be approved by the Board of Commissioners of the Housing Authority in the manner provided by law prior to the sale thereof.
4. The Executive Officer-Clerk of the Board of Supervisors or a deputy thereof is directed to certify and deliver a copy of this Resolution to the Housing Authority.
5. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Supervisors of the County of Los Angeles, State of California, this __ day of _____ 2007, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN:

[SEAL]

By: _____
Zev Yaroslavsky
Chairman, Board of Supervisors

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Supervisors

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

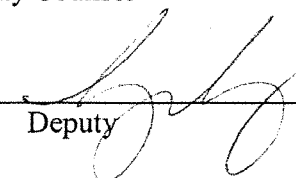
By:  _____
Deputy

EXHIBIT 1

**A RESOLUTION OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY
SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO ISSUE REVENUE
BONDS TO FINANCE A PROJECT FOR ARROW PLAZA KBS, L.P.
AND RELATED ACTIONS**

RESOLUTION NO. 07-16

**A RESOLUTION OF THE CALIFORNIA MUNICIPAL FINANCE
AUTHORITY SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO
ISSUE REVENUE BONDS TO FINANCE A PROJECT FOR
ARROW PLAZA KBS, L.P. AND RELATED ACTIONS**

WHEREAS, the California Municipal Finance Authority (the "Authority") is authorized and empowered by Title 1, Division 7, Chapter 5 of the California Government Code and Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (collectively, the "Act") to issue revenue bonds for the purpose of financing the acquisition, construction, rehabilitation, improvement and equipping of multifamily housing projects within the jurisdiction of the Authority for persons and families of low and very low income; and

WHEREAS, Arrow Plaza KBS, L.P., or an affiliate thereof (the "Borrower") has requested that the Authority consider the issuance and sale of tax-exempt revenue bonds (the "Bonds") pursuant to the Act for the purpose of lending the proceeds thereof to the Borrower to finance the acquisition, rehabilitation, improvement and equipping of a 64-unit multifamily rental senior housing project known as Arrow Plaza, to be located within the City of Covina (the "City"), in the County of Los Angeles (the "County") at 20644 E. Arrow Highway, and to be owned and/or operated by the Borrower (the "Project"); and

WHEREAS, the Borrower has requested an expression of this Board's willingness to authorize the issuance of the Bonds at a future date when the Authority's requirements and conditions for the issuance of such Bonds have been satisfied; and

WHEREAS, the Authority wishes to declare its intention to authorize the issuance of the Bonds, provided certain conditions are met, for the purpose of financing costs of the Project, in an aggregate principal amount expected not to exceed \$6,500,000.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. The Board hereby finds and determines that the above recitals are true and correct.

Section 2. The Board finds and hereby determines that it is necessary and desirable to provide financing for the Project and hereby expresses its official intent, at one time or from time to time, to issue and sell the Bonds pursuant to the Act, subject to the conditions set forth herein. This resolution does not bind the Authority to make any expenditure, incur any indebtedness, or proceed with the financing of the Project.

Section 3. The Bonds will be payable solely from revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into with the Borrower in connection with the Project. The issuance of the Bonds is subject to the following conditions: (a) the Authority and the Borrower shall have first agreed to mutually acceptable terms for the Bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the Bond indenture, loan agreement, lease agreement or other agreements and other

related documents for the financing of the Project; (b) all requisite governmental approvals for the Bonds shall have been obtained, including the addition of the City or the County as a member of the Authority and approval of the issuance of the Bonds by the applicable elected representative of the City or the County pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") and Section 4 of the Agreement (hereinafter defined); and (c) a resolution approving the financing documents to which the Authority will be a party shall have been adopted by the Board.

Section 4. This resolution is a Declaration of Official Intent under U.S. Treasury Regulations for purposes of Sections 103 and 141 to 150 of the Code. Based upon the representations of the Borrower, the Authority reasonably expects that certain of the costs of the Project will be reimbursed with the proceeds of the Bonds. The maximum principal amount of the Bonds is expected to be \$6,500,000.

Section 5. The officers of and financial advisors to the Authority are hereby authorized and directed to take any and all actions as may be necessary or appropriate in connection with submission of an application to the California Debt Limit Allocation Committee for an allocation of the State's private activity bond volume cap under Section 146 of the Code and Section 8869.85 of the Government Code, if determined to be necessary, and compliance with the requirements of Section 147(f) of the Code relating to public approval of the Bonds, and any such actions heretofore taken by such officers and financial advisors are hereby ratified, approved and confirmed.

Section 6. Pursuant to Section 12 of the Joint Exercise of Powers Agreement forming the Authority (the "Agreement"), the Authority hereby approves the addition of the City as a member of the Authority, effective upon receipt by the Authority of an executed counterpart of the Agreement, together with a copy of the resolution of the City Council approving the Agreement and the execution and delivery thereof.

Section 7. This Resolution shall take effect immediately upon its passage and shall remain in force thereafter.

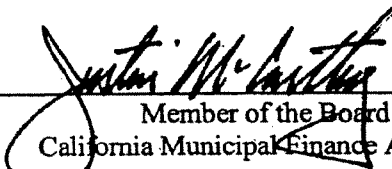
PASSED AND ADOPTED by the California Municipal Finance Authority this
_____ day of _____, 2007, as follows:

AYES:


NOES:

ABSTAIN:

I, the undersigned, a duly appointed and qualified Member of the Board of Directors of the California Municipal Finance Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of said Authority at a duly called meeting of the Board of Directors of said Authority held in accordance with law on March 9, 2007.

By 
Member of the Board
California Municipal Finance Authority

ATTEST:

By 
Member of the Board
California Municipal Finance Authority

ATTACHMENT B

**RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF LOS ANGELES DECLARING
ITS OFFICIAL INTENT TO UNDERTAKE
THE FINANCING OF A MULTIFAMILY HOUSING PROJECT
AND RELATED ACTIONS**

RESOLUTION OF THE BOARD OF COMMISSIONERS OF THE HOUSING
AUTHORITY OF THE COUNTY OF LOS ANGELES DECLARING
ITS OFFICIAL INTENT TO UNDERTAKE
THE FINANCING OF A MULTIFAMILY HOUSING PROJECT
AND RELATED ACTIONS

WHEREAS, the Housing Authority of the County of Los Angeles (the "Housing Authority") is authorized and empowered by the provisions of Chapter 1 of Part 2 of Division 24 of the Health and Safety Code of the State of California (the "Act") to issue and sell mortgage revenue bonds for the purpose of making loans or otherwise providing funds to finance the acquisition, construction, rehabilitation and development of multifamily residential rental housing projects, including units for households meeting the income limits set forth in the Act; and

WHEREAS, Arrow Plaza KBS, L.P., a California limited partnership or an affiliate (the "Borrower") has requested that the Housing Authority issue and sell its mortgage revenue bonds pursuant to the Act to provide financing for the acquisition and rehabilitation of several multifamily rental housing developments including the multifamily rental housing development consisting of 64 units located at 20644 East Arrow Highway, in unincorporated Los Angeles County (the "Arrow Plaza Project"); and

WHEREAS, the Board of Commissioners of the Housing Authority (the "Board") hereby finds and declares that it is necessary, essential and a public purpose for the Housing Authority to finance multifamily housing projects pursuant to the Act, in order to increase the supply of multifamily housing in Los Angeles County available to persons and families within the income limitations established by the Act; and

WHEREAS, as an inducement to the Borrower to carry out the Arrow Plaza Project, this Board desires to authorize the issuance of mortgage revenue bonds, in one or more series from time to time, by the Housing Authority in a principal amount not to exceed \$8,000,000 which will relate to the Arrow Plaza Project; and

WHEREAS, the Housing Authority, in the course of assisting the Borrower in the financing of the Arrow Plaza Project expects that the Borrower has paid or may pay certain expenditures (the "Reimbursement Expenditures") in connection with the Arrow Plaza Project within 60 days prior to the adoption of that certain resolution previously adopted by the California Municipal Finance Authority in connection with the Arrow Plaza Project (the "CMFA Resolution"), which resolution is hereby acknowledged, confirmed, ratified and incorporated by reference, except that such resolution erroneously referenced the Arrow Plaza Project as being located within the City of Covina rather than in unincorporated Covina, and prior to the issuance of indebtedness for the purpose of financing costs associated with the Arrow Plaza Project on a long-term basis; and

WHEREAS, Treasury Regulations Sections 1.142-4 and Section 1.150-2 require the Housing Authority to declare its reasonable official intent to reimburse prior expenditures for the Arrow Plaza Project with proceeds of a subsequent borrowing; and

WHEREAS, Section 146 of the Internal Revenue Code of 1986 limits the amount of tax-exempt private activity bonds that may be issued in any calendar year by entities within a state and authorizes the governor or the legislature of such state to provide the method of allocation within the state; and

WHEREAS, Chapter 11.8 of Division 1 of Title 2 of the Government Code of the State of California (the "Government Code") governs the allocation of the state ceiling among governmental units in the State of California having the authority to issue multifamily housing mortgage revenue bonds; and

WHEREAS, Section 8869.85 of the Government Code requires a local agency to file an application with the California Debt Limit Allocation Committee ("CDLAC") prior to the issuance of multifamily housing mortgage revenue bonds; and

WHEREAS, this Board hereby finds and declares that this resolution is being adopted pursuant to the powers granted by the Act;

NOW, THEREFORE, BE IT RESOLVED AS FOLLOWS:

1. The above recitals, and each of them, are true and correct.
2. This Board hereby determines that it is necessary and desirable to provide financing for the Arrow Plaza Project by the issuance and sale of mortgage revenue bonds pursuant to the Act and hereby authorizes the issuance and sale of such bonds in one or more series from time to time by the Housing Authority in an aggregate principal amount not to exceed \$8,000,000 (the "Bonds") which will relate to the Arrow Plaza Project. This action is taken expressly for the purpose of inducing the Borrower to undertake the Arrow Plaza Project, provided that nothing contained herein shall be construed to signify that the Arrow Plaza Project comply with the planning, zoning, subdivision and building laws and ordinances applicable thereto or to suggest that the Housing Authority or any officer, agent or employee of the Housing Authority will grant any approval, consent or permit which may be required in connection with the acquisition and construction of the Arrow Plaza Project or the issuance of the Bonds.
3. The issuance and sale of the Bonds shall be upon such terms and conditions as may be agreed upon by the Housing Authority and the Borrower and the initial purchasers of the Bonds; provided, however, that the Bonds shall not be sold or issued unless specifically authorized by the subsequent resolution of this Board.
4. This Resolution is being adopted by the Board of Commissioners of the Housing Authority for purposes of establishing compliance with the requirements of Treasury Regulations Section 1.142-4 and Section 1.150-2. In that regard, the Housing Authority hereby declares its official intent to use proceeds of indebtedness to reimburse the Reimbursement Expenditures. Notwithstanding the foregoing, this Resolution does not bind the Housing Authority to make any expenditure, incur any indebtedness, or proceed with the Arrow Plaza Project.
5. The proper officers of the Housing Authority are hereby authorized and directed to apply to the CDLAC for a private activity bond allocation for authorization for the

Housing Authority to issue the Bonds, in part for the Arrow Plaza Project in an amount not to exceed \$8,000,000, and to collect from the Borrower an amount equal to one-half of one percent (0.5%) of the requested allocation, and to certify to the CDLAC that such amount has been placed on deposit in an account in a financial institution.

6. The proper officers of the Housing Authority are hereby authorized and directed to take whatever further action relating to the aforesaid financial assistance that may be deemed reasonable and desirable, provided that the terms and conditions under which the Bonds are to be issued and sold shall be approved by this Board in the manner provided by law prior to the sale thereof.

7. This Resolution shall take effect immediately upon its adoption.

PASSED AND ADOPTED by the Board of Commissioners of the Housing Authority of the County Of Los Angeles, State of California, this ___ day of _____, 2007, by the following vote:

AYES:

NOES:

ABSENT:

ABSTAIN

[SEAL]

By: _____
Zev Yaroslavsky
Chairman, Board of Commissioners

ATTEST:

SACHI A. HAMAI
Executive Officer-Clerk
of the Board of Commissioners

By: _____
Deputy

APPROVED AS TO FORM:

RAYMOND G. FORTNER, JR.
County Counsel

By: _____
Deputy

EXHIBIT 1

A RESOLUTION OF THE CALIFORNIA MUNICIPAL FINANCE AUTHORITY
SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO ISSUE REVENUE
BONDS TO FINANCE A PROJECT FOR ARROW PLAZA KBS, L.P.
AND RELATED ACTIONS

RESOLUTION NO. 07-16

**A RESOLUTION OF THE CALIFORNIA MUNICIPAL FINANCE
AUTHORITY SETTING FORTH THE AUTHORITY'S OFFICIAL INTENT TO
ISSUE REVENUE BONDS TO FINANCE A PROJECT FOR
ARROW PLAZA KBS, L.P. AND RELATED ACTIONS**

WHEREAS, the California Municipal Finance Authority (the "Authority") is authorized and empowered by Title 1, Division 7, Chapter 5 of the California Government Code and Chapter 7 of Part 5 of Division 31 of the Health and Safety Code of the State of California (collectively, the "Act") to issue revenue bonds for the purpose of financing the acquisition, construction, rehabilitation, improvement and equipping of multifamily housing projects within the jurisdiction of the Authority for persons and families of low and very low income; and

WHEREAS, Arrow Plaza KBS, L.P., or an affiliate thereof (the "Borrower") has requested that the Authority consider the issuance and sale of tax-exempt revenue bonds (the "Bonds") pursuant to the Act for the purpose of lending the proceeds thereof to the Borrower to finance the acquisition, rehabilitation, improvement and equipping of a 64-unit multifamily rental senior housing project known as Arrow Plaza, to be located within the City of Covina (the "City"), in the County of Los Angeles (the "County") at 20644 E. Arrow Highway, and to be owned and/or operated by the Borrower (the "Project"); and

WHEREAS, the Borrower has requested an expression of this Board's willingness to authorize the issuance of the Bonds at a future date when the Authority's requirements and conditions for the issuance of such Bonds have been satisfied; and

WHEREAS, the Authority wishes to declare its intention to authorize the issuance of the Bonds, provided certain conditions are met, for the purpose of financing costs of the Project, in an aggregate principal amount expected not to exceed \$6,500,000.

NOW, THEREFORE, BE IT RESOLVED by the Board of Directors of the Authority as follows:

Section 1. The Board hereby finds and determines that the above recitals are true and correct.

Section 2. The Board finds and hereby determines that it is necessary and desirable to provide financing for the Project and hereby expresses its official intent, at one time or from time to time, to issue and sell the Bonds pursuant to the Act, subject to the conditions set forth herein. This resolution does not bind the Authority to make any expenditure, incur any indebtedness, or proceed with the financing of the Project.

Section 3. The Bonds will be payable solely from revenues to be received by the Authority pursuant to a loan agreement or other agreements to be entered into with the Borrower in connection with the Project. The issuance of the Bonds is subject to the following conditions: (a) the Authority and the Borrower shall have first agreed to mutually acceptable terms for the Bonds and of the sale and delivery thereof, and mutually acceptable terms and conditions of the Bond indenture, loan agreement, lease agreement or other agreements and other

related documents for the financing of the Project; (b) all requisite governmental approvals for the Bonds shall have been obtained, including the addition of the City or the County as a member of the Authority and approval of the issuance of the Bonds by the applicable elected representative of the City or the County pursuant to Section 147(f) of the Internal Revenue Code of 1986, as amended (the "Code") and Section 4 of the Agreement (hereinafter defined); and (c) a resolution approving the financing documents to which the Authority will be a party shall have been adopted by the Board.

Section 4. This resolution is a Declaration of Official Intent under U.S. Treasury Regulations for purposes of Sections 103 and 141 to 150 of the Code. Based upon the representations of the Borrower, the Authority reasonably expects that certain of the costs of the Project will be reimbursed with the proceeds of the Bonds. The maximum principal amount of the Bonds is expected to be \$6,500,000.

Section 5. The officers of and financial advisors to the Authority are hereby authorized and directed to take any and all actions as may be necessary or appropriate in connection with submission of an application to the California Debt Limit Allocation Committee for an allocation of the State's private activity bond volume cap under Section 146 of the Code and Section 8869.85 of the Government Code, if determined to be necessary, and compliance with the requirements of Section 147(f) of the Code relating to public approval of the Bonds, and any such actions heretofore taken by such officers and financial advisors are hereby ratified, approved and confirmed.

Section 6. Pursuant to Section 12 of the Joint Exercise of Powers Agreement forming the Authority (the "Agreement"), the Authority hereby approves the addition of the City as a member of the Authority, effective upon receipt by the Authority of an executed counterpart of the Agreement, together with a copy of the resolution of the City Council approving the Agreement and the execution and delivery thereof.

Section 7. This Resolution shall take effect immediately upon its passage and shall remain in force thereafter.

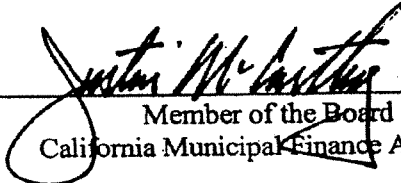
PASSED AND ADOPTED by the California Municipal Finance Authority this
_____ day of _____, 2007, as follows:

AYES:


NOES:

ABSTAIN:

I, the undersigned, a duly appointed and qualified Member of the Board of Directors of the California Municipal Finance Authority, DO HEREBY CERTIFY that the foregoing resolution was duly adopted by the Board of Directors of said Authority at a duly called meeting of the Board of Directors of said Authority held in accordance with law on March 9, 2007.

By 
Member of the Board
California Municipal Finance Authority

ATTEST:

By 
Member of the Board
California Municipal Finance Authority

